the taxpayer

SUMMER 2012

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Can Taxpayers do without CMHC? P24

How a Tax Dollar is Spent P13

Taxpayer.com

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From the President

Troy Lanigan
tlanigan@taxpayer.com

Welcoming the World in 2014

In May I spoke at the World Taxpayers Conference in Kiev, Ukraine. World Taxpayers Associations (WTA) comprises 65 associations from 52 countries on six continents. WTA was founded in 1988 and the CTF has been a member since 1991.

The body exists to exchange best practices amongst members and support the development of new taxpayer groups throughout the world. Its mission statement is “working together for lower taxes, less waste, accountable government and taxpayers rights all over the world.”

The conference, which takes place every two years, also marked the start of my second term on WTA’s board of directors along with representatives from the United States, Germany, South Korea, Australia, France and Tanzania.

I’m pleased to announce that the next World Taxpayers Conference will be hosted by the CTF in June 2014 when we welcome taxpayer activists from around the world to Vancouver. Please consider this your first invitation to attend!

> “I’m pleased to announce that the next World Taxpayers Conference will be hosted by the CTF in June 2014.”

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With the country’s current agreement on equalization ending in 2014, CTF Board Chairman, Michael Binnion, led an effort to bring together a coalition of like-minded groups committed to push federal and provincial lawmakers — particularly in “have” provinces — to stake out positions of meaningful reform to the federal equalization system.

The coalition is made up of the CTF, Atlantic Institute for Market Studies, Reseau Liberte-Quebec, Montreal Economic Institute, Frontier Centre for Public Policy and the Manning Centre for Building Democracy. To our knowledge, this is the first collaborative effort of organizations committed to limited government working together on a public policy issue.

Each of these organizations is working on independent research ideas and public awareness efforts to address the imbalances and disincentives to economic development created by the current system. The first contribution to that effort is a series of opinion editorials published recently in the *National Post* and highlighted on page 19.

❖ ❖ ❖

2012 marks 22 years for the CTF. Each year at our annual planning meeting we recognize the service terms of members of our team. This year we recognized a number of our field service representatives — many of you will know — that have dedicated 20 years to the cause: Don Wolff (Alberta and Saskatchewan), Ken Hughes (Alberta), Guy Goettler (Alberta), Lorne Koropatwa (Alberta), Frank Riddell (Manitoba), and Keith Klippert (B.C.). Thank-you for your contribution. Thank-you for continuing to make our mission possible!❖

The Canadian Taxpayers Federation is a federally incorporated not-for-profit and non-partisan organization dedicated to lower taxes, less waste and accountable government. Founded in 1990, the Federation is independent of all partisan or institutional affiliations and is entirely funded by free-will, non-tax receiptable contributions. All material is copyrighted. Permission to reprint can be obtained by e-mailing the editor: shennig@taxpayer.com. Printed in Canada.

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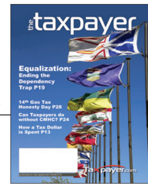

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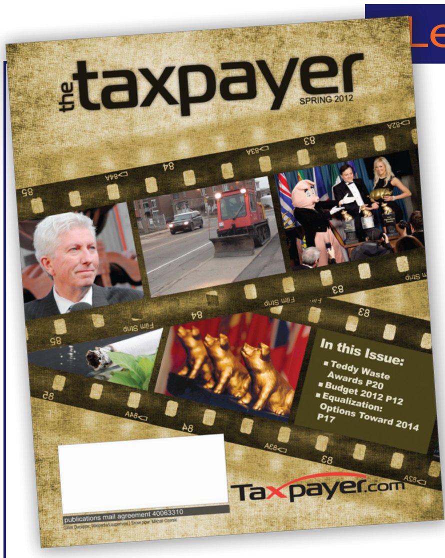
Letters to the editor



Professor Dahlby and Jason Clemens argue in "Solutions for an Aging Society" (*The Taxpayer*, Spring 2012) that consumption taxes like the G/HST should be relied upon rather than income taxes, because the latter imposes much higher costs on society. I agree.

In the 17th century Thomas Hobbes wrote, "Income measures what you contribute to society, spending measures what you take from society." In essence, don't tax what people are contributing, tax what people are taking.

[Replacing income tax with] consumption tax would make us more productive, more competitive and provide governments with ample revenue.

More information on this subject can be found at fairtax.org

Tom Kulicki
Beaverlodge, Alberta

The Conservatives will lose a lot of votes in the next election if they raise OAS eligibility to 67 years, when they themselves cash in at age 55!

Arlene Perryman
London, Ontario

I served almost 12 years in the Canadian Army and for that I receive the magnificent sum of $440.41 military pension, $540.12 OAS and $468.52 CPP. Total: $1,449.05 a month

I guess serving Canada is not as important as warming a seat in Ottawa and playing spoiled children for the news media

I'm sending a $50 donation; please use it well as I do not have a surplus in my gold-plated fund.

David Anderson
Wetaskiwin, Alberta

I am very proud to be part of an organization that gives so much of themselves for the benefit of so many.

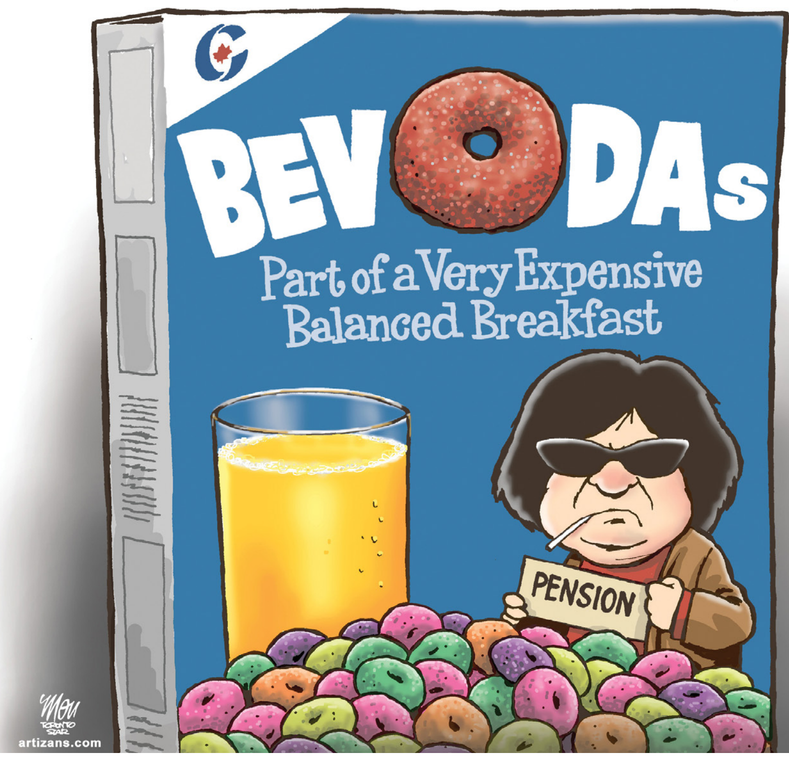
Charles Stueck
Lac Du Bonnet, Manitoba

I am a loyal Conservative voter but I am glad that the CTF fairly applauds and criticizes where it should.

Mavis White
Sudbury, Ontario

Keep at these wasteful politicians!

Michel Bell
Moffat, Ontario



Letters-to-the-editor

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This picture not so clear

A Freedom of Information request by the Canadian Taxpayers Federation discovered that TransLink — a B.C. government agency providing transit for B.C.'s Lower Mainland — spent $523,444 in 2009 for 13 TV screens. This works out to over $40,000 for each screen.

The screens were set up at five SkyTrain stations and were intended to provide emergency information for travellers. However, when the CTF visited the stations to find out how the TV screens were doing, we found only four were actually working and at one location, the TVs had been removed altogether.

TransLink has been under fire for a steady stream of stories on waste, including massive bonuses paid to senior executives (despite the agency losing money), and hundreds of millions of dollars lost in uncollected fares and overpaid policing staff.

Predictably, TransLink thinks it has a revenue problem and has been seeking to impose a new tax on vehicles (on top of an existing 17 cents/litre gas tax on Lower Mainland drivers) to further fatten its $1.4-billion budget. Maybe they should figure out how to use the TV screens first.

With files from the *Canadian Taxpayers Federation*

Britain's living dead economy

A report by the accounting firm Ernst & Young (E&Y) said Britain's economic recovery is being hurt by what it describes as "Zombie" companies. These are companies that would collapse under normal circumstances but manage to survive because of government and banking policies that keep businesses afloat.

The report notes that during the recent recession the number of companies going bankrupt has actually declined, despite the fact there has been a 42% increase in profit warnings.

E&Y's head of restructuring in the U.K., Alan Hudson, stated that while zombie companies were still operating, they were taking market share away from viable companies that contribute to growing and boosting the economy. Capital is not being recycled and reinvested as it should be.

Business distress specialists in the U.K. indicate 30% of companies are routinely maximizing their overdraft privileges, a strong indicator of problems

The report specifically cited the massive government bailout of the auto industry in North America as a "high water mark" for state intervention in the economy.

E&Y notes that while banks and politicians may not want to be seen pulling the rug out from under companies, the cost to economic recovery is far greater.

With files from *telegraph.co.uk*

Roll up the rim to lose?

In 1995, when the Newfoundland Health Sciences Centre (NHSC) purchased a Tim Hortons franchise to sell coffee and donuts in its hospital, they expected a profit of

$2,900 to install one electrical outlet?

$300,000 a year. The bureaucrats gloated the money made could pay for chemotherapy drugs for its cancer unit or even the salaries of nurses or support staff.

Well, after those initial heady days, the hospital has turned what many consider a no-lose franchise into a taxpayer sink hole. Last year, the coffee shop lost $260,000. Instead of paying for jobs at the hospital it is now costing jobs. NHSC is part of the Eastern Health district which is laying off 550 workers over the next year in an effort to save $43 million.

The only good news is that the loss is down from the franchise's record deficit of $296,000 in 2008-09.

So how did bureaucrats manage to turn a sure-fire franchise into a money loser? Well, it started off when the decision was made to use health care workers as employees. Yes, coffee servers were paid $28 an hour (complete with benefits) to pour coffee into a cup. In order to reduce costs, the hospital now plans to have the management company running the franchise also hire employees.

In Windsor, Ont., the Windsor Regional Hospital (WRH) lost $265,000 running its three Tim Hortons kiosks. Because of its union contract with CAW, WRH is forbidden to contract out services and is paying CAW union members $26 an hour to pour coffee. The hospital is trying to renegotiate these salaries or cut back hours of services in order to reduce the costs.

With files from the *National Post*

Federal employees use nearly three times the sick time as private sector workers.

Sever this severance

In the summer 2011 issue of *The Taxpayer*, we reported on a provision in union contracts with federal employees, whereby the federal government pays severance to employees not only when they are laid off, but also when they retire, voluntarily quit or switch jobs within the federal government.

The benefit is defacto salary that will eventually be paid to all employees. According to the public accounts, this severance debt is worth — wait for it — $6.1 billion.

The Harper government is commendably working to end the practice in an effort to reduce costs over the long term. To date, the government and unions have settled nine of 27 collective agreements. Once the final agreement is settled, Treasury board officials estimate savings of $500-million a year.

But it won't be cheap getting there.

The federal government paid $1.2-billion in voluntary severance in fiscal 2011-12 to 91,613 public servants who remain on the job, retired or quit on their own. The government is projecting another $850 million to be paid out in the current 2012-13 fiscal year.

Isn't it great to negotiate union contracts with other people's money? Successive governments have allowed these provisions to be worked into all contracts covering federal employees over a period of 30 years. They should be ashamed of themselves – but then again, should we be surprised, these arrangements pale in

comparison to their own pocket-lining arrangements.

With files from the *National Post/Hill Times*

Poll: Government part of problem, not solution

A public opinion poll released in June revealed that 72% of Canadians either strongly agree (24%) or somewhat agree (48%) that we have too much government interference in our lives.

The poll also found 77% of Canadians agreeing with the statement that we pay too much tax for the services we receive.

The Ipsos Reid poll conducted for *Postmedia News* and *Global Television* news indicates Canadians largely feel detached from politicians and government. Ipsos Public Affairs CEO Darrell Bricker stated "[Canadians] see government … more as part of the problem than as part of the solution."

With files from *National Post* and *Global TV*

EI fraud costs taxpayers $125 million

According to figures released by the federal government over a four year period between 2008-09 and 2011-12, hundreds of thousands of EI recipients received overpayments totalling $787 million. Of this overpayment, the federal government has written off nearly $125 million considering it uncollectable.

Overpayments can happen because of errors by federal employees or mistakes by EI recipients. In either case, the recipient is expected to pay back the overpayment.

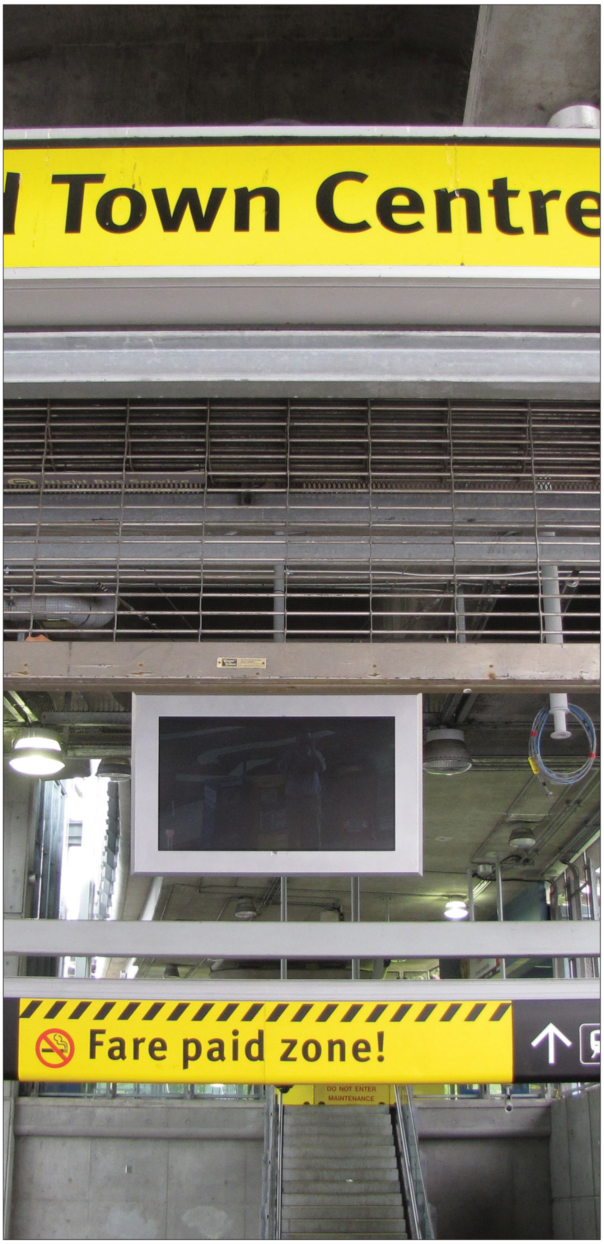
A second group however includes those who have fraudulently made a claim. If caught, these individuals will be charged. Of the 956,000 overpayments made during the four year period, approximately 312,000 (one-third) were considered fraudulent.

The report noted that a disproportionate number of fraudulent overpayments occurred in Quebec and Atlantic Canada. Quebec with 23% of the population had 30% of the fraud cases, while Atlantic Canada with 7% of the population reported 14% of the fraudulent claims.

Meanwhile, Ontario with 39% of Canada's population had 32% of the fraudulent cases and the West with 31% of Canada's population had 20% of the fraudulent claims.

With files from the *Vancouver Sun*

Who would spend $40,000 on a TV screen?



Sickening sick time

According to an internal government report, on a typical day, the federal government has over 19,000 em-

ployees booked off sick.

Traditionally, employees for all three levels of government use more sick time annually than those in the private sector. But federal employees top the list when it comes to booking off sick.

According to the report, federal employees average 12.5 sick days a year. Once disability claims are included, that number jumps to 18 days a year — nearly triple the rate of the private sector.

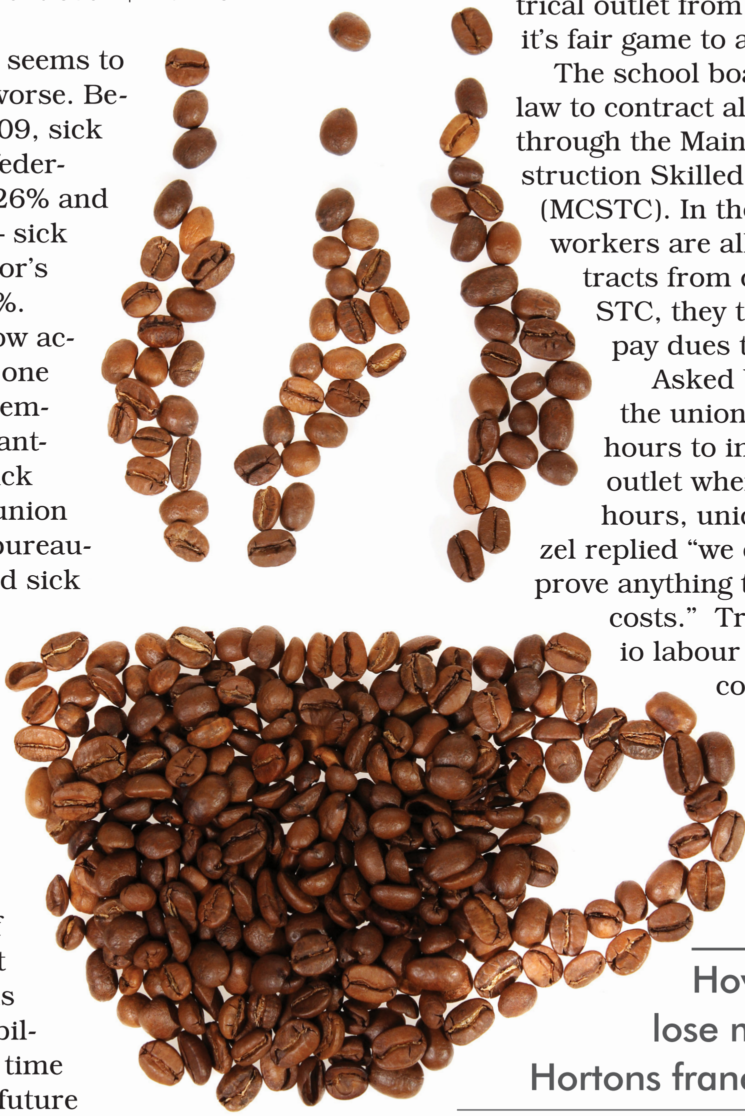
The sick time usage is proving costly. According to the Conference Board of Canada, the 6.6 days used in the private sector costs employers 2.6% of their payroll. At nearly 2.5 times the rate, it is estimated sick time costs the federal government over $1 billion a year.

And the problem seems to be steadily getting worse. Between 2000 and 2009, sick time usage among federal employees grew 26% and uncertified usage — sick time without a doctor's note — climbed 74%.

With sick time now accounting for nearly one month time off per employee, Ottawa is wanting to renegotiate sick time provisions in union contracts. Federal bureaucrats receive 15 paid sick days each year and are allowed to accumulate unused sick time. Stories abound of just prior to retirement employees mysteriously going on stress leave to finish off months of unused sick time. It is estimated the feds are sitting on $5.2 billion in unused sick time — a foreshadowing of future absenteeism.

Ottawa is wanting to initiate changes similar to those negotiated with Canada Post, which had one of the highest usages of sick time in the federal government. Canada Post employees now receive seven personal days, which can be used for anything including sick time. If the employee needs more sick time, they will need to use short-term disability which pays 70% of their salary.

With files from *CBC* and the *National Post*



F* Taxpayers?!

When the Toronto District School Board has no choice but to pay $143 to install a pencil sharpener and $2,900 to install an electrical outlet from a union monopoly, it's fair game to ask a few questions.

The school board is required by law to contract all maintenance work through the Maintenance and Construction Skilled Trades Council (MCSTC). In the few cases where workers are allowed to win contracts from outside of the MCSTC, they too are required to pay dues to the union.

Asked by a reporter why the union charged for 76 hours to install an electrical outlet when it only took four hours, union boss Jimmy Hazel replied "we don't need to f*ing prove anything to anybody about costs." True enough. Ontario labour law gives his union a complete monopoly allowing them to bill taxpayers whatever they choose.

With files from *Toronto Star* / *National Post*

How could anyone lose money on a Tim Hortons franchise?

It's time to scrap Canada's rotten EI system and START OVER!

Gregory Thomas
Federal Director

Employment Insurance (EI), the $20 billion boondoggle also known as pogey, is getting a major overhaul after changes were introduced in this year's federal budget.

Reforms aim at cracking down on those who use it a lot: people who filed at least three EI claims in the past five years, or people who collected EI for at least 60 weeks – that's over a year – in the past five years. Under the new rules, these people will be required to accept any job they're qualified to perform, at wages as low as 70% of their previous wage, after collecting EI for six weeks. They'll be required to look for work every day, and prove to the government, with documentation, that they looked for work every day.

Those who don't make a habit of collecting EI – people who have paid into the system for seven of the past 10 years and collected for fewer than 35 weeks – will be able to collect EI for 18 weeks before being forced to expand their job search beyond their regular occupation and their regular rate of pay. That means someone who doesn't make a habit of milking the EI system will get just over four months to find a similar job, before expanding the search to a job they wouldn't normally perform, at 80% of their previous earnings.

Across Canada, frequent EI users number

fewer than 100,000 of the 562,000 who collected benefits in March — about 17% of the total. But when you break that number down by province, it's a different story: in Newfoundland, 80% of those collecting EI have filed three or more claims in the past five years. In Prince Edward Island it's 78%, while it's 60% in New Brunswick, 56% in Nova Scotia, and 43% in Quebec.

Canadians have long grown accustomed to reading about depressed areas of the country with "chronically high unemployment." And the statistics make for some tough reading indeed: 21.1% unemployment in the region of Bonavista Bay, NFLD, 19.6% unemployment in Campbellton-Miramichi, NB, 15.3% in the Gaspe region of Quebec.

And yet, this past February, Statistics Canada also reported that 237,000 jobs across Canada were unfilled.

In January, employers in New Brunswick applied for permits to bring 210 fish plant workers into Canada under the Temporary Foreign Worker program, even though 2,444 New Brunswick fish plant workers had applied for EI benefits in the same month. Over on PEI, fish plants applied to bring in 60 foreign workers in January, the same month that 294 fish plant workers applied for EI benefits.

These sorts of games, played by both employers and workers, are not restricted to Atlantic Canada. In Ontario, 2,218 farm workers applied for EI in January, the same month that Ontario farmers applied to bring in 1,514 foreign workers to do farm work. In Alberta, where oil sands crews are renowned for their hearty appetites, employers sought permits to bring in 446 temporary foreign cooks, the same month 597 Alberta cooks applied for EI.

If unemployment is such a huge problem in Canada, and Employment Insurance costs Canadian taxpayers $20 billion a year, why did employers need to bring over 190,000 foreign workers into this country to fill vacant positions last year?

The answer is other people's money: employers and workers have teamed up so workers can maximize their EI benefits while doing the minimum amount of work. And employers who refuse to play ball can find themselves

> "EI program pays higher benefits for longer periods to workers living in parts of the country with "chronically high unemployment." It's no wonder the unemployment problem is so chronically high in those parts of the country."

Top Three Occupations

(EI Claims/Temporary Foreign Worker Positions) by Province (Jan 2012)

Newfoundland and Labrador

	EI Claims	TFW Positions
Cooks	1,247	21
Light Duty Cleaners	838	16
Food/Beverage Servers	658	22

Prince Edward Island

	EI Claims	TFW Positions
Truck Drivers	544	4
Cooks	309	4
Fish Plant Workers	294	60

Nova Scotia

	EI Claims	TFW Positions
Cooks	1,100	34
General Farm Workers	904	33
Food attendants/helpers	581	14

New Brunswick

	EI Claims	TFW Positions
Fish Plant Workers	2,444	210
Truck Drivers	2,331	12
Cooks	1,167	9

Quebec

	EI Claims	TFW Positions
General Farm Workers	3,312	62
Harvesting Labourers	355	152
Babysitters, Nannies etc	278	59

Ontario

	EI Claims	TFW Positions
General Farm Workers	2,218	1,514
Babysitters, Nannies etc	648	668
Nursery/Greenhouse	411	768

Manitoba

	EI Claims	TFW Positions
General Farm Workers	474	49
Nursery/Greenhouse	42	18
Food Service Supervisors	23	24

Saskatchewan

	EI Claims	TFW Positions
General Farm Workers	841	117
Carpenters	490	53
Welders/Machine Operators	139	115

Alberta

	EI Claims	TFW Positions
Cooks	597	446
Food Attendants/Helpers	347	1,261
Light Duty Cleaners	292	289

British Columbia

	EI Claims	TFW Positions
General Farm Workers	5,718	176
Cooks	1,884	115
Harvesting Labourers	515	2,349

Source: Foreign Worker System (2012); Employment Insurance Administrative Data (2012)

out of business.

In Port Hawkesbury, on Cape Breton in Nova Scotia, a call centre designed to employ 350 people closed down because it couldn't attract enough workers.

"When you want to hire 200 people and you can't find them and you've got 30 people out on stress leave, you know you've got a problem," Port Hawkesbury mayor Billy Joe MacLean told the *Halifax Chronicle-Herald*. "They even gave a $3,000 bonus once an employee worked there three months, and they had people who would stay until they got the $3,000 and then they'd quit. So what does that tell you?"

Just exactly how unfair is the EI program, when it comes to benefits available in different parts of Canada? Researcher Jon Medow of the EI Task Force at the University of Toronto's Mowat Centre for Public Policy compared a seasonal worker in PEI to a year-round worker living in Ontario. After working 864 hours over 22 weeks at a wage of $10 per hour, prior to lay-off, the PEI worker received $8,073.85 in total federal benefits, (including the Working Income Tax Benefit and an HST refund) or 93% of their total wages of $8,640. The other full-time worker living in Ontario received $1,044.74 or 12% of their $8,640 pay packet. Even though they paid identical amounts into the EI program, the EI program pays higher benefits for longer periods to workers living in parts of the country with "chronically high unemployment." It's no wonder the unemployment problem is so chronically high in those

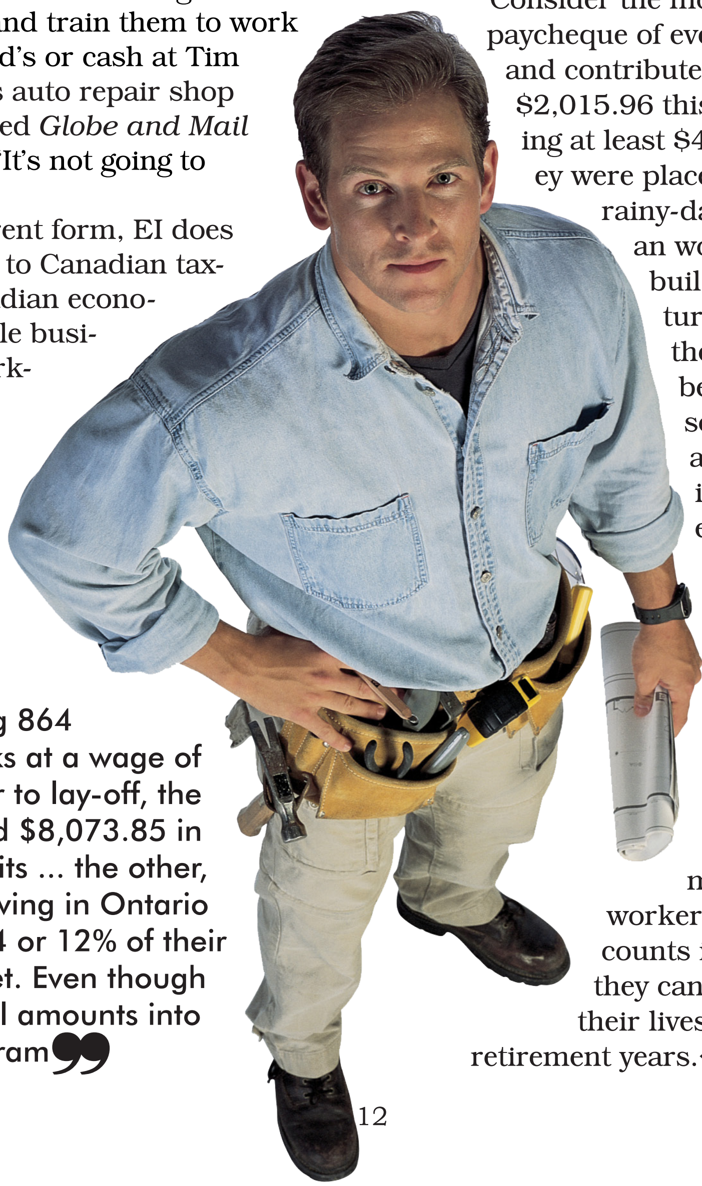
parts of the country.

Decades of unrestricted access to other people's money has bred some hard attitudes in the minds of those accustomed to receiving it and the politicians who represent them. Newfoundland Premier Kathy Dunderdale told Don Martin, host of *CTV*'s Power Play, that older fish plant workers won't get jobs at the new mines opening up in the province, because they lack a high school diploma or trades certification.

"Decades of unrestricted access to other people's money has bred some hard attitudes in the minds of those accustomed to receiving it and the politicians who represent them."

And few on the Rock expect them to work at more menial jobs when they can be collecting EI benefits. "How do you take a person – 50, 55 years old – who did nothing in their life but be a fisherman and train them to work cash at the McDonald's or cash at Tim Hortons?" St. John's auto repair shop owner Gary Ball asked *Globe and Mail* reporter Bill Curry. "It's not going to happen."

In its present current form, EI does incalculable damage to Canadian taxpayers and the Canadian economy, robbing profitable businesses and hard-working Canadians of their rightful earnings, while providing year-round income to many who choose to work just 12 weeks a year.



"After working 864 hours over 22 weeks at a wage of $10 per hour, prior to lay-off, the PEI worker received $8,073.85 in total federal benefits ... the other, full-time worker living in Ontario received $1,044.74 or 12% of their $8,640 pay packet. Even though they paid identical amounts into the EI program"

While the reforms are welcomed, it's time for the Harper government to put the interests of working Canadians ahead of pogey scammers, scrap the rotten-to-the-core EI system, and start over.

Canadian taxpayers deserve an employment insurance system where they can keep their own wages in a tax-sheltered rainy-day fund, in case they themselves are unemployed. And if at the end of their career, whether they were a welder, a school teacher or a business owner, never unemployed, that money should be available for their retirement.

Consider the money taken from the paycheque of every working Canadian and contributed by their employer – $2,015.96 this year for those earning at least $45,900. If this money were placed in a tax-sheltered rainy-day fund, every Canadian worker would begin to build a nest-egg they could turn to, should they or their spouse lose a job, become injured, or need some time off to look after a child or an ailing parent. If that money were invested (using the CPP's 10-year investment return of 6.2%), it would add up to $165,000 over the course of 30 years in the workforce, or $330,000 for a working couple.

Better to leave that money with Canadian workers, in tax-sheltered accounts in their own name, so they can look after themselves, their lives, and eventually, their retirement years.❖

you ASKED FOR IT...

Andrew Tidman from Curran, Ont., asks: *How much of every dollar I pay in taxes goes to pay for things like health care, education, debt charges and all the other things governments pay for?*

by Scott Hennig
VP Communications

Scott Hennig, VP Communications answers:

To be sure this isn't the easiest question to answer, as there are at least three levels of government and countless other government and quasi-government agencies spending tax dollars on a daily basis.

If we were to look at each level of government separately we would only get part of the picture. For example, 20 cents out of every dollar spent by the federal government is for "Transfers to other levels of government." This means that billions of dollars we send to Ottawa aren't actually being spent by our MPs on things like Old Age Security payments or national defence, but instead are being spent by provinces on health care and education.

But as we all know, there's only one taxpayer.

Luckily, *Statistics Canada* has data for what they call "consolidated government" spending from 1989 to 2009. Consolidated government spending is how the federal government, all provincial and territorial governments, all municipal governments, all school boards, all universities, all health and social service agencies and all government pension plans spend your tax dollars.

Just as interesting as how one tax dollar is doled out today, is how it has changed over the past two decades.

But starting with the most recently available data, in 2009, all levels of government spent $631 billion tax dollars combined. The biggest expenditure in 2009 was social assistance payments, with 19 cents out of every tax dollar spent. This would include things such as Canada Pension Plan and Old Age Security payments to seniors, welfare and child benefits. A very close second (and likely will be the highest when 2012 data is available) was health care, also at 19 cents of every tax dollar spent.

"The biggest expenditure in 2009 was social assistance payments, with 19 cents out of every tax dollar spent. This would include things such as Canada Pension Plan and Old Age Security payments to seniors, welfare and child benefits. A very close second (and likely will be the highest when 2012 data is available) was health care."

Elementary and secondary education (K-12 schooling) came in as the next biggest expense at 8 cents of every tax dollar. Also at 8 cents was protection of persons and property, which would include things like national defence, jails, police and fire departments.

Just those four areas ate up over half of every tax dollar spent (54 cents).

Next up we had public debt charges, which made up 7 cents of every tax dollar. This was

Want the CTF to tackle your question? Ask for it by e-mail at: research@taxpayer.com

followed by post-secondary education (6 cents) and the environment, resource conservation and industrial development (6 cents).

Transportation and communication (things like roads, public transit and the CRTC) consumed only 5 cents of every tax dollar.

Some of the relatively small items included recreation and culture (3 cents), foreign affairs and international assistance (1 cent) and veterans' benefits (1 cent).

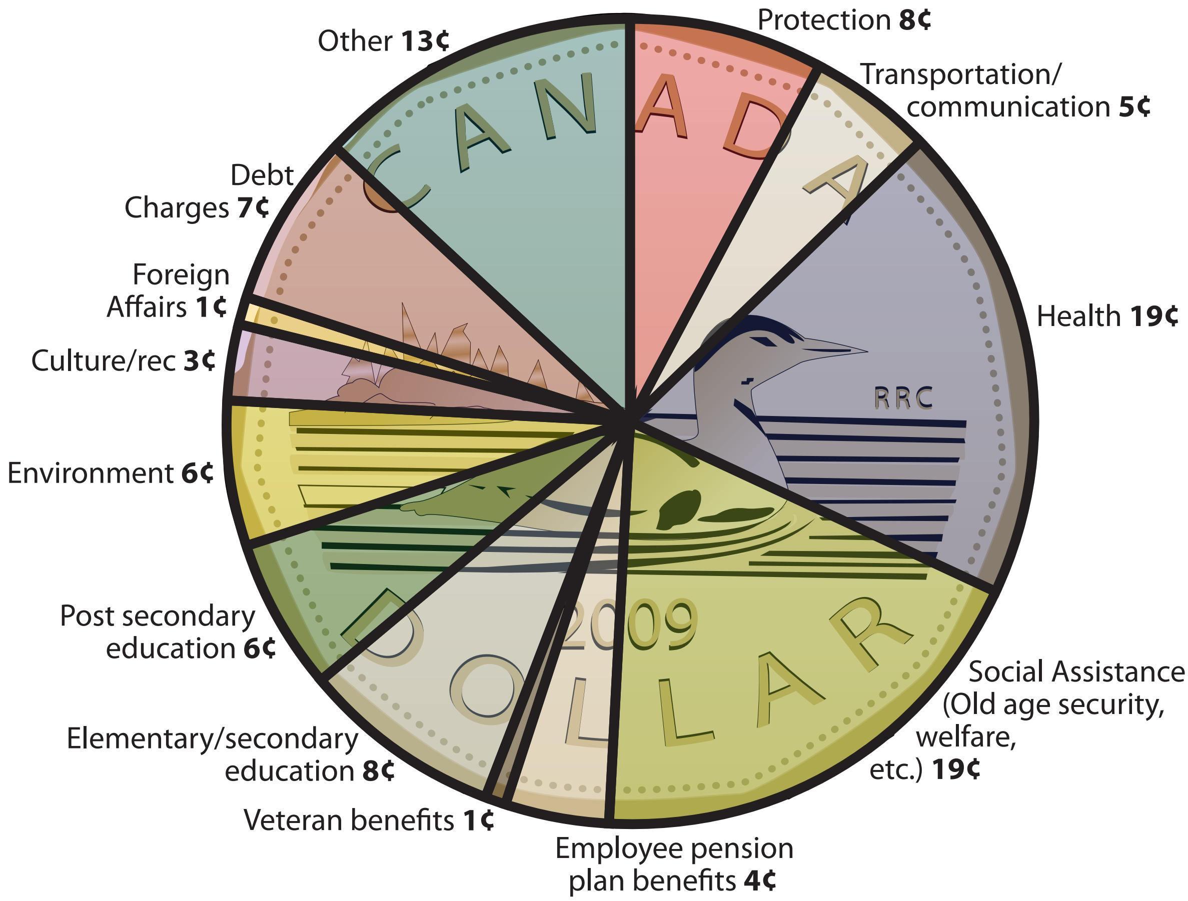
Of course there are still 13 cents of every tax dollar unaccounted. There are hundreds of other small items that total up to the 13 cents.

As you can see from the chart from 1989 (page 15), the two biggest changes over the past 20 years were the decrease in annual debt charges and the increase in health spending.

In 1989, annual debt charges (interest on the debt) ate up 14 cents of every tax dollar in Canada (7 cents in 2009), while health care represented 13 cents (19 cents in 2009).

While these 2009 figures don't take into account the massive deficits that have been incurred by the federal and provincial governments over the past three years, it's clear a significant improvement took place between 1989 and 2009 when it came to our national debt.

How a tax dollar was spent in 2009



Break down of consolidated government spending by program (2009). Source: Statistics Canada

U ASKED FOR IT...YOU ASKED FOR IT...YOU ASKED FOR

We at the CTF would like to think we played a part in moving these numbers in the right direction. In addition to the hundreds of releases, the CTF toured the National Debt Clock many times in the mid-90s leading to balanced budgets. Between 1997 and 2008, the federal government alone paid off $105 billion worth of debt.

Of course, there have also been significant drops in interest rates, allowing re-financing of government debt at lower costs.

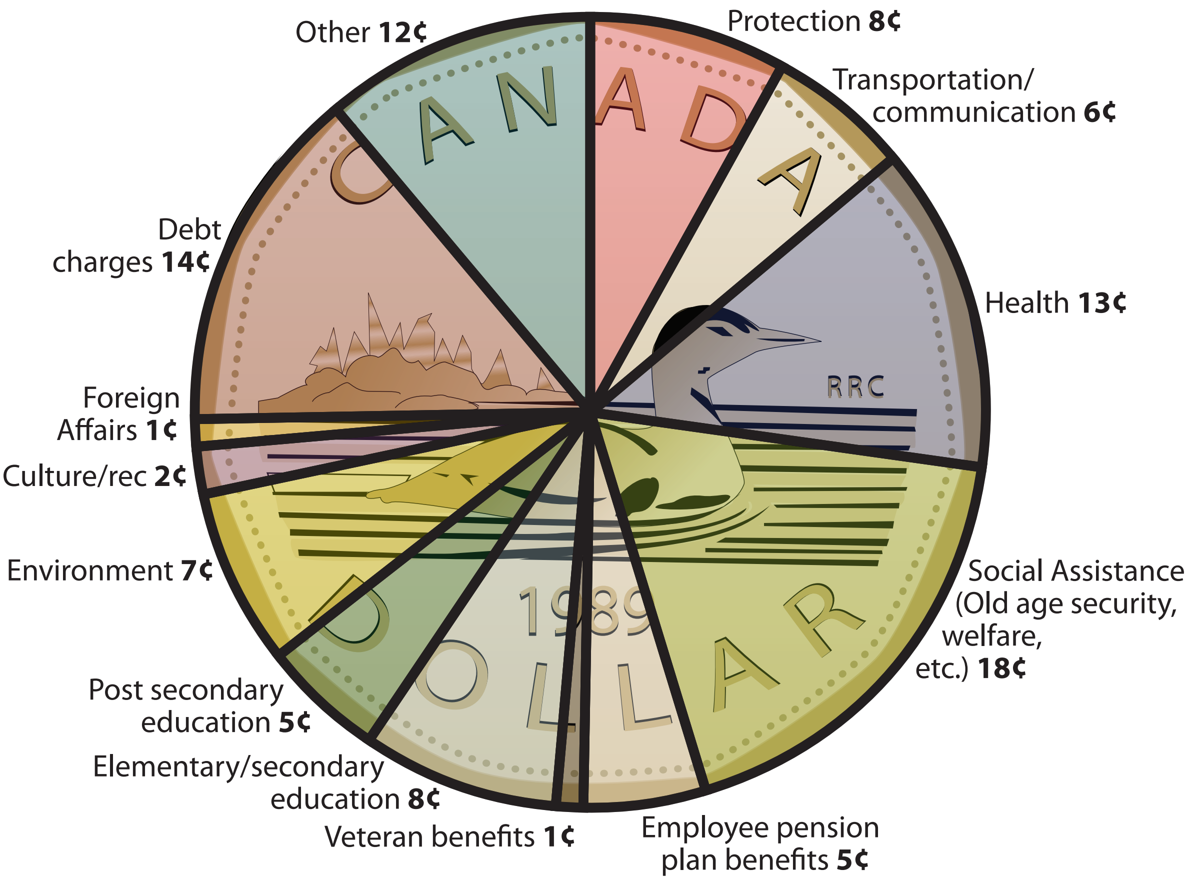
> "The CTF toured the National Debt Clock many times in the mid-90s leading to balanced budgets."

While some of these lower debt payments have translated themselves into lower tax rates, much of the savings have been eaten up in higher health care spending.

If this trend continues, higher taxes and lower spending in other areas will likely occur. This is even more true today with government debts on the rise, inevitably hiking the annual interest costs that come along with them.

Thanks for the question Andrew.❖

How a tax dollar was spent in 1989



Break down of consolidated government spending by program (1989). Source: Statistics Canada

2012 Tax Freedom Comes ONE DAY LATER

Jordan Bateman
B.C. Director

It was a classic moment in the hit U.S. TV series *Modern Family*. Two preteen cousins, Manny and Luke, had lost a toy helicopter and knew they were going to be in big trouble if they didn't find it.

"I'm saving my strength," Manny said. "If we don't find that helicopter, I'm walking to Canada."

"Hope you like taxes!" replied Luke.

Taxes, sadly, have become synonymous with life in Canada. And no statistic like the *Fraser Institute's* annual Tax Freedom Day calculation so clearly captures how large that tax burden is.

Tax Freedom Day is the metaphorical day of the year where Canadians cross the threshold and stop working for three levels of government and start working for themselves. This is the day we would stop working to pay the tax bill if we paid all of our taxes from Jan. 1 on.

Slipping back

Needless to say, there were no taxpayers popping champagne corks to celebrate the news that Tax Freedom Day moved from June 10 to June 11. As recently as three years ago, Tax Freedom Day was June 3, but government's inability to control spending has lost taxpayers precious ground.

A two-income Canadian family earning $94,259 this year will pay $41,627 in taxes

Tax Freedom Days by province
The day taxpayers start working for themselves

Prov	2011	2012
NFLD	June 28	June 21
PEI	May 31	June 2
NS	June 10	June 12
NB	June 3	June 6
QUE	June 13	June 17
ON	June 9	June 10
MB	June 5	June 7
SK	June 10	June 12
AB	May 22	May 22
BC	June 8	June 8
CDA	June 10	June 11
Without Natural Resources		
NFL	May 28	May 28
SK	May 31	June 1
AB	May 12	May 13
BC	June 5	June 5
CDA	June 7	June 9

Source: The Fraser Institute

Average family's tax bill by level of Government
2012 preliminary estimates

	Federal gov't	Prov gov't	Municipal gov't	Total Tax Bill
Canada	$21,965	$15,311	$3,710	$40,986

The average family with two or more individuals. Excludes natural resource levies Source: The Fraser Institute

— a shocking 44.2% of their total income. This includes income tax, health care and social services tax, property tax, profit tax, liquor and other excise tax, gas tax, import duties, natural resource levies and other taxes.

Quebec Continues Slide

Even as unruly university students rampaged through Montreal this spring demanding more taxpayer spending on schooling and other public services, the *Fraser Institute* reported that Tax Freedom Day in Quebec had slipped backwards by four days — the largest provincial slide this year. In 2011, Quebec taxpayers were free on June 13; this year, June 17. As comedian Dan Bennett once said, "There's nothing wrong with the younger generation that becoming taxpayers won't cure."

Six other provinces slid backwards in 2012: New Brunswick fell three days from June 3 to June 6, and Nova Scotia (now June 12), Saskatchewan (now June 12), Manitoba (now June 7) and Prince Edward Island (now June 2) each lost two days. Ontario slipped one day to June 10.

Alberta (May 22) and British Columbia (June 8) stayed the same. Newfoundland and Labrador was the only province to improve over 2011—taxpayers celebrated their freedom on June 21, a full seven days earlier than last year.

> "There were no taxpayers popping champagne corks to celebrate the news that Tax Freedom Day moved from June 10 to June 11."

Smoke and Mirrors

However, these dates are not the entire story, as they do not take into account the deferred tax burden that comes with governments running deficit budget. When a province borrows money to balance the books, it is simply putting off taxation to future years — at some point, taxpayers will be on the hook for that money. Thus the *Fraser Institute* offers a calculation to determine what it would mean for the average Canadian family if taxes were increased to cover the $21.1

Tax Freedom Days

Including Government Deficits. 2012 Preliminary Estimates

	Tax Freedom Day	Balanced Budget Tax Freedom Day	Total Increase (days)
NFL	June 21	July 1	10
PEI	June 2	June 14	12
NS	June 12	June 21	9
NB	June 6	June 15	9
QUE	June 17	June 23	6
ON	June 10	June 28	18
MB	June 7	June 18	11
SK	June 12	June 17	5
AB	May 22	May 30	8
BC	June 8	June 17	9
CDA	June 11	June 23	12

Source: The Fraser Institute

Two Notes:

- There is debate whether natural resource royalties are a tax or simply the conversion of a balance sheet asset into an income stream. Separate Tax Freedom Day calculations are available for provinces with significant resource royalties.
- Tax Freedom Day comes earlier in the Atlantic provinces, Manitoba and Quebec due, in part, to the large share of their total revenue that is transferred from other provinces through the federal government. Conversely, Tax Freedom Days in the traditional "have " provinces come later than would be the case without these transfers.

billion federal deficit and cumulative $19.7 billion in provincial deficits.

Including deficits moves Canada's Tax Freedom Day from June 11 to June 23. Indeed, every single province loses ground in this calculation: spend-crazy Ontario falls 18 days from June 10 to June 28. Prince Edward Island slides 12 days to June 14, Manitoba 11 days to June 18 and Newfoundland and Labrador gives back any improvements they have made, slipping 10 days to July 1.

Even Alberta, once the model of fiscal responsibility in Canada, falls eight days to May 30 when the province's $886 million deficit is included. Saskatchewan taxpayers, despite living in the only province with a balanced budget this year, also lose five days (June 17) due solely to covering their share of the federal deficit.

The cost of government

Some argue that government needs taxes to pay for necessary public services. Fair enough. Tax Freedom Day aims to provide the public with a better understanding of the price of public services.

The CTF believes that government is too expensive and that people – to the greatest extent possible – should be empowered to make their own decisions with the fruits of their own labour. As the great Milton Friedman (1912-2006) pointed out, "very few people spend other people's money as carefully as they spend their own."

Reductions in spending allow for debt repayment and ultimately lower taxes. Without curbs to spending – and especially deficit spending – upward pressure will be placed on taxes as interest payments eat up a growing share of budgets.❖

Tax bill for average Canadian family with two or more individuals, 2012

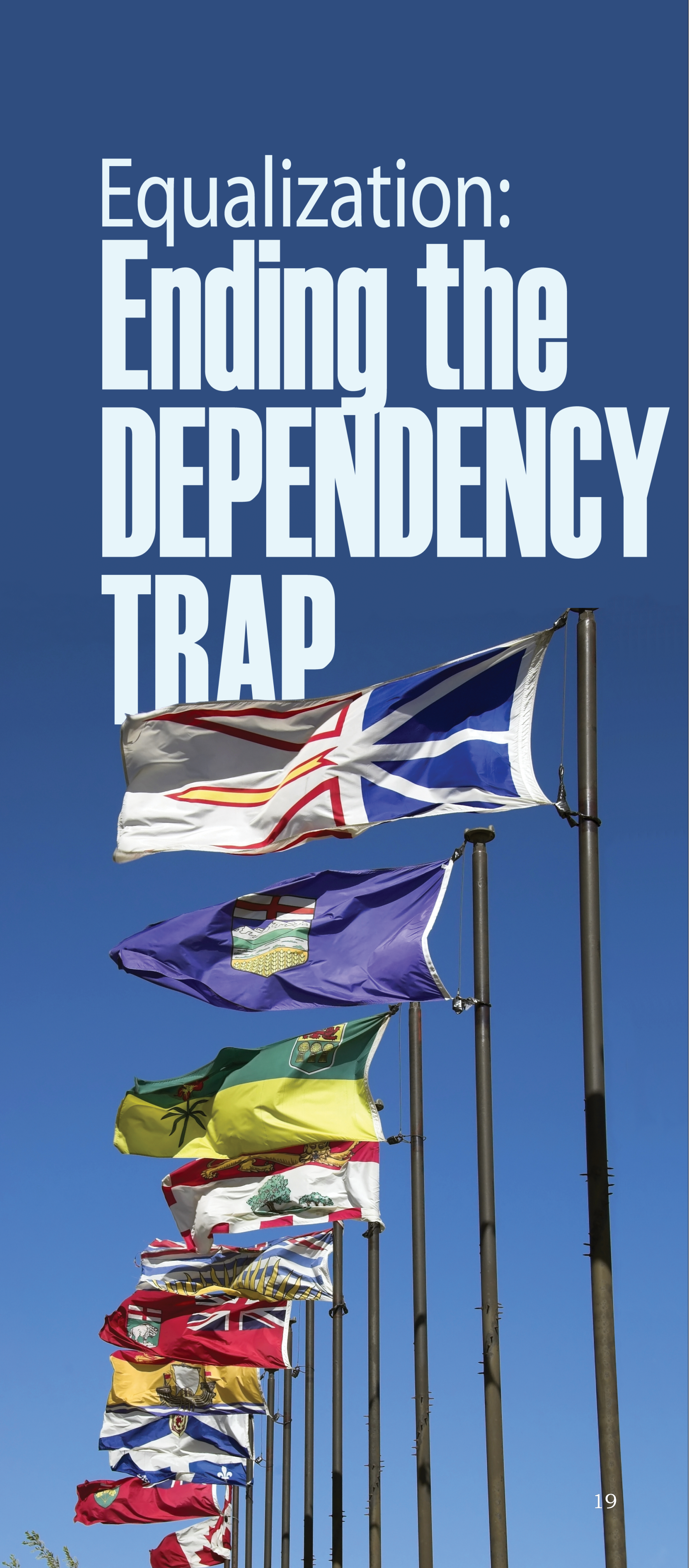
Total cash income . . . $94,259

Income taxes	$12,822
Sales taxes	$6,610
Liquor, tobacco, amusement, & other excise taxes	$2,251
Auto, fuel, and motor vehicle license taxes	$1,085
Social security, medical, and hospital taxes	$9,241
Property taxes	$4,029
Import duties	$328
Profits tax	$3,698
Natural resource taxes	$641
Other taxes	$923
Total taxes	$41,627

Taxes as a percentage of cash income 44.2%

Source: The Fraser Institute

Equalization: Ending the DEPENDENCY TRAP



The CTF is part of a loose coalition of like-minded groups committed to pushing meaningful reform to the federal equalization system. As the current equalization agreement is set to expire in 2014, the time is now to press new ideas and demand lawmakers stake out clear positions.

The coalition is made up of the Atlantic Institute for Market Studies, Reseau Liberte-Quebec, the Montreal Economic Institute, the Canadian Taxpayers Federation, the Frontier Centre for Public Policy and the Manning Centre for Building Democracy.

In late May, coalition members authored a series of opinion editorials that were published in the *National Post*. What follows is the CTF's contribution to that effort, written by Gregory Thomas and Derek Fildebrandt, along with highlights from material published by other coalition partners.

As we watched TV images of rioting students trashing downtown Montreal, one of our colleagues quipped: "I always wanted to go to Greece. I never expected Greece to come here."

She wasn't far off the mark. Unless Canadians get a handle on the provinces' runaway spending, their growing mountain of debt, and the resulting tidal wave of interest charges, we can expect lots more home-grown social unrest, as have-not provincial governments fall short of voters' outsized expectations.

Perhaps it's time we learned a les-

son from the Europeans.

In March, leaders from 25 of 27 EU member states signed off on a fiscal compact, to go into effect in 2013. Once ratified by 12 of the 25 signatories, the agreement will require EU members, all of them sovereign states, to enact a constitutional ban on deficit spending.

Europe's heavy-handed approach to the debt crisis is to be enforced with severe sanctions: Member nations that refuse to curb their borrowing will be denied access to the trillion dollars of bailout money in the European Stability Mechanism and the European Financial Stability Fund. The European Court of Justice will be required to impose massive financial penalties on governments that refuse to comply.

This tough-love approach to balanced budgets, enacted at the behest of taxpayers in Germany and other lower-debt nations, follows more than a decade of cheating by Greece and others on reasonable debt limits included in Maastricht — the treaty that created the common Euro currency. (Before the free-spending Europeans inserted some wiggle room for themselves, Maastricht even capped EU member debt at 60% of GDP and annual deficits at 3% of GDP.) Greece fudged its books and infamously engaged in a currency swap with investment dealer Goldman Sachs to get around Maastricht's borrowing rules.

> “Perhaps it's time we learned a lesson from the Europeans.”

As Canadians, we should ask ourselves why we're allowing the Ontario government to run a deficit potentially larger this year than the federal deficit, and larger than those of all other provinces put together. We should ask ourselves how 25 formerly warring European nations, speaking 23 different languages, can agree to force balanced budgets on one another, while we're powerless to rein in the bor-

Natural resources in Quebec could help the province get out of "have not" status

The exploitation of natural resources in Quebec could help the province get out of "have not" status in the coming years. And the formula used to calculate equalization should be adjusted to encourage that. One possible concrete solution would be not to have any clawback for revenue from new natural resource projects for a number of years (and also excluding this new revenue from the calculation of the fiscal capacity ceiling). Revenue from new development projects therefore would temporarily not reduce equalization transfers. After the exemption period, the new revenue would then be considered at 50%, as in the current formula.

Within this new framework, an additional adjustment would be to replace the current calculation of fiscal capacity based on 50% of royalties with a different calculation based on 50% of corporate profits from the exploitation of natural resources. This way, the royalty rate would no longer influence fiscal capacity, just as tax rates have no impact in the other categories.

Youri Chassin is an economist at the Montreal Economic Institute | iedm.org

Montreal Economic Institute
Ideas for a More Prosperous Nation

“Alberta’s finance department calculated in 2010 that Alberta taxpayers provided $14.1 billion more in annual revenue to the Canadian government than they received in services and transfers. Yet, this contribution goes largely unrecognized in the rest of Canada.”

rowing of Prince Edward Island and Nova Scotia.

When you compare the actual debts owed by Manitoba, Ontario, Quebec and the Maritime provinces to their ability to pay, as if they were independent nations, the rest of Canada would be hard pressed to want to pick up the tab. Despite sharing a common currency and sending transfer payments eastward, by the billions, year-after-year, donor provinces have no recourse against have-not provinces that choose to spend and to borrow to such an extent that they threaten the entire Canadian economy.

Canada’s federal debt alone sits at a somewhat manageable level: 34% of GDP at the end of 2011. But add in the obligations of provincial and city governments, and Canada’s gross general government debt balloons to 85% of economic output, according to the International Monetary Fund. That puts us in worse shape than the U.K., Germany, France and only three percentage points better than the Eurozone, taken as a whole.

When you add Quebec’s $143 billion share of the federal debt to the $159 billion it owes as a province, its combined debts are a staggering 94% of GDP, in the same league as euro basket cases such as Ireland and Portugal. The Maritime provinces’ debt ratios, in the high 70s and mid-80s, are also approaching Eurozone territory. Ontario, with $239 billion of federal debt and $214 billion of its own (forecast to grow to $260 billion by the April 2013), would also owe more than 70% of its GDP.

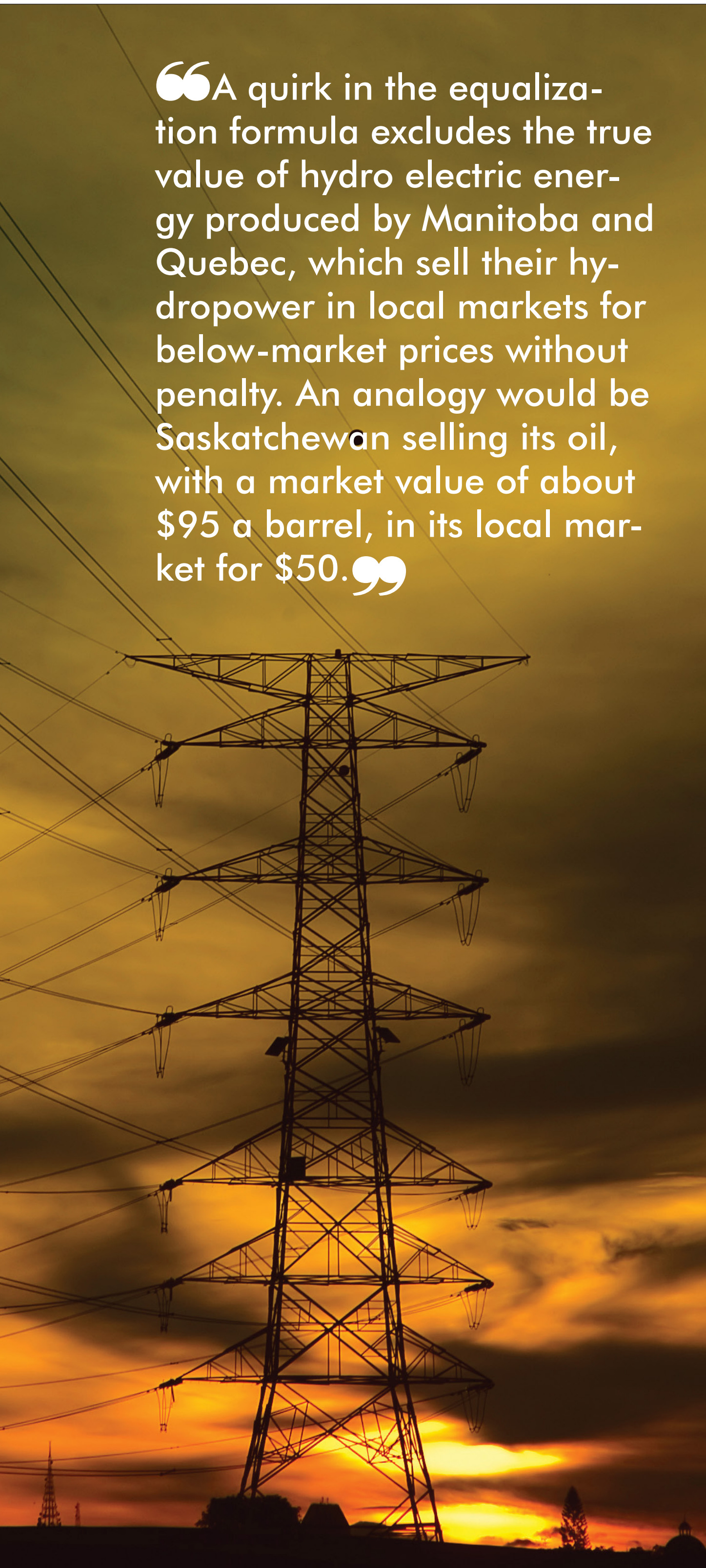
Compared to the sovereign nations of the Eurozone, Canadian provinces enjoy free rein on their finances: They can spend what they want, borrow what they want and run up as much debt as they want, all while enjoying all the benefits of a common Canadian currency, federal transfers and a continental free trade agreement.

All the while, we provide the have-not provinces with annual bailouts — in the form of an elaborate and byzantine system of transfer payments (health transfers, equali-

“Despite sharing a common currency and sending transfer payments eastward, by the billions, year-after-year, donor provinces have no recourse against have-not provinces that choose to spend and to borrow to such an extent that they threaten the entire Canadian economy.”

zation, infrastructure subsidies and the list goes on). Ottawa sent $15.4 billion in direct transfers to the Quebec government last year, providing nearly one-quarter of Quebec's total revenue. Ontario got $23-billion, or 21% of the province's budget. Alberta, meanwhile, took in just under $5-billion in federal transfers, accounting for 14% of its total revenue.

Alberta's finance department calculated in 2010 that Alberta taxpayers provided $14.1 billion more in annual revenue to the Canadian government than they received in services and transfers. Yet, this contribution goes largely unrecognized in the rest of Canada. It manifests itself in many forms, such as extra tuition surcharges for Alberta residents at McGill University in Montreal, where Quebecers pay $2,492 per year and Albertans pay



“A quirk in the equalization formula excludes the true value of hydro electric energy produced by Manitoba and Quebec, which sell their hydropower in local markets for below-market prices without penalty. An analogy would be Saskatchewan selling its oil, with a market value of about $95 a barrel, in its local market for $50.”

Artificially cheap hydro power, your equalization dollars at work

A quirk in the equalization formula excludes the true value of hydro electric energy produced by Manitoba and Quebec, which sell their hydropower in local markets for below-market prices without penalty. An analogy would be Saskatchewan selling its oil, with a market value of about $95 a barrel, in its local market for $50. The formula is correct to deduct the market price of oil ($95) rather than the artificially low price ($50 in this example) from any equalization payments. The same logic should apply to Quebec and Manitoba's hydro revenues under the equalization rules — but doesn't. By creating a massive financial incentive for Quebec and Manitoba to subsidize hydro power heavily, the current arrangements generate market inefficiencies and encourage resource waste.

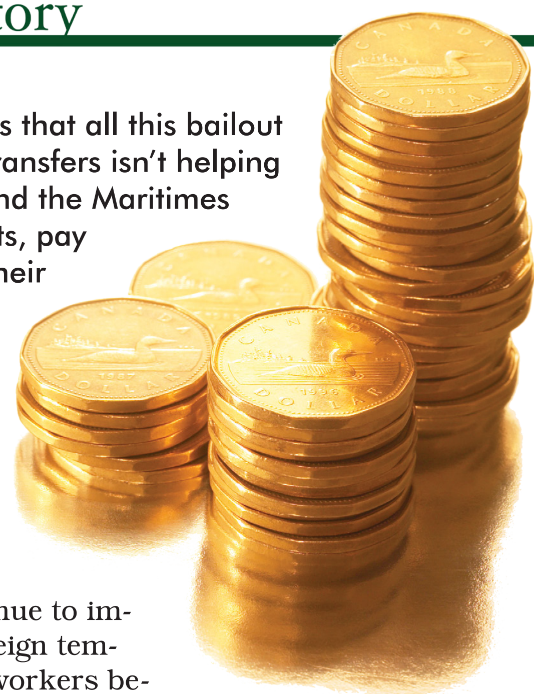
FRONTIER CENTRE FOR PUBLIC POLICY

Peter Holle is president of the Frontier Centre for Public Policy | fcpp.org

$6,183. Of course, at the University of Calgary, every Canadian pays $6,264, making McGill a bit of a bargain for Albertans.

In April, Ontario was placed on credit watch by Standard and Poor's, and its credit rating was lowered by Moody's, after a spending spree that pushed its net debt from $140 billion in 2004 to $237 billion in 2011, even with the federal government pumping $135 billion of direct transfer payments into the province's coffers. Quebec's debt has soared from $99 billion to $159 billion since 2004, despite annual transfer bailouts totalling $88 billion from the Canadian government.

"And so it is obvious that all this bailout money in the form of transfers isn't helping Ontario, Quebec and the Maritimes balance their budgets, pay off their debts, raise their productivity and boost their self-sufficiency."



And so it is obvious that all this bailout money in the form of transfers isn't helping Ontario, Quebec and the Maritimes balance their budgets, pay off their debts, raise their productivity and boost their self-sufficiency. Ontario's minority government is raising its top tax rate to 49.97%. Quebec has outlawed shale gas production — the same activity that, carried out in Alberta, Saskatchewan and B.C., generates transfer payments to Quebec. Maritime provinces continue to import foreign temporary workers because many of their own residents would rather collect EI benefits 35 weeks a year than work.

Ottawa's costly interprovincial welfare system has saddled productive parts of the country with unnecessarily high taxes, and pushed the rest of the country into a dependency trap, so irresponsible provincial politicians can fund expensive give-aways at election time. We need to turn off the tap on transfer payments, follow the European example and dedicate ourselves to building a debt-free, self-sufficient Canada.❖

Pay people, not provinces

One alternative to differential federal taxes would be cash transfers to individuals — as opposed to equalization payments to provinces. Such a policy requires no changes to current tax policy, constitutional authority, or even total public spending. And Canada could meet its constitutional obligation to support relatively comparable levels of services at reasonably comparable levels of taxation. Individual Canadians would simply replace provinces as program recipients. We would still cut cheques to each other, and money would still flow from region to region in net terms; but the cash would come to us, instead of going to our provincial capitals.

Juanita Spencer is author of "Putting Our Money Where Our Mouths Are," a paper recently published by the Atlantic Institute For Market Studies | aims.ca

Atlantic Institute for AIMS Market Studies

Bringing down the house:

Can Taxpayers do without CMHC?

by Peter Shawn Taylor
Special to *The Taxpayer*

Stable homeownership is, by and large, a good thing for society. Homeowners tend to be more deeply involved in their local community. They vote more regularly. Are more financially secure. And less likely to get in trouble with the law.

Then again you could say pretty much the same thing about marriage. But no one expects the federal government to make over a billion dollars a year running a crown corporation that promotes weddings. So why does Ottawa play such a major role in the housing market?

Since the financial meltdown of 2008, when fears over risky subprime mortgages in the United States precipitated a global crisis of confidence, government housing policies have come under much greater scrutiny worldwide. For Canada, this has meant considerably more attention paid to the federal government's housing-market behemoth Canada Mortgage and Housing Corporation (CMHC).

This spring Finance Minister Jim Flaherty announced a raft of new regulations and strictures aimed at putting the crown corporation under more direct government supervision and curtailing certain practices. While this may be a prudent move, it doesn't go nearly far enough. Most of the services CMHC provides right now could easily be delivered by the private sector. What remains could be picked up by existing departments in federal and provincial governments. Here's why it's time to pack up CMHC.

Among the many oddities in Ottawa, CMHC stands out as perhaps the oddest. It began life in 1946 as the Central Mortgage and Housing Corporation helping returning veterans buy homes. But over time, as government efforts often do, it has steadily expanded its size, scope and reach. Currently CMHC can be roughly divided into three separate and very diverse components.

First, it functions as an ersatz federal Department of Housing. Despite the fact it's a profit-making crown corporation, CMHC has long had responsibility for implementing Ottawa's social housing priorities, however misplaced. In the 1970s it ran such money-losing debacles as the Assisted Home Ownership Program and the Assisted Rental Program.

In 2011 CMHC received $2.16 billion from parliament to provide various federal housing programs covering such things as environmental retrofits, native housing and home repairs for seniors. Almost half of this money was transferred directly to the provinces for the provision of social housing. CMHC also acts as a central repository for national and regional housing market data

CMHC's second major role is selling mortgage insurance. By law anyone purchasing a house with less than 20 percent down pay-

> "Taken as a whole, CMHC is unwieldy, illogical and risky for taxpayers. Can we do without it? Certainly."

ment must have mortgage insurance, which protects lenders in the event buyers default on their payments. For many years CMHC had this federally-mandated business entirely to itself. Today there are two private sector competitors: Genworth Financial Canada and Canada Guaranty. CMHC still dominates the market, however. The crown corporation controls nearly 70 percent of the business with $567 billion worth of insurance in force. Genworth has $265 billion on its books. Canada Guaranty is a relative newcomer with a nominal share of the market. The vast bulk of CMHC's $1.5 billion profit last year came from mortgage insurance.

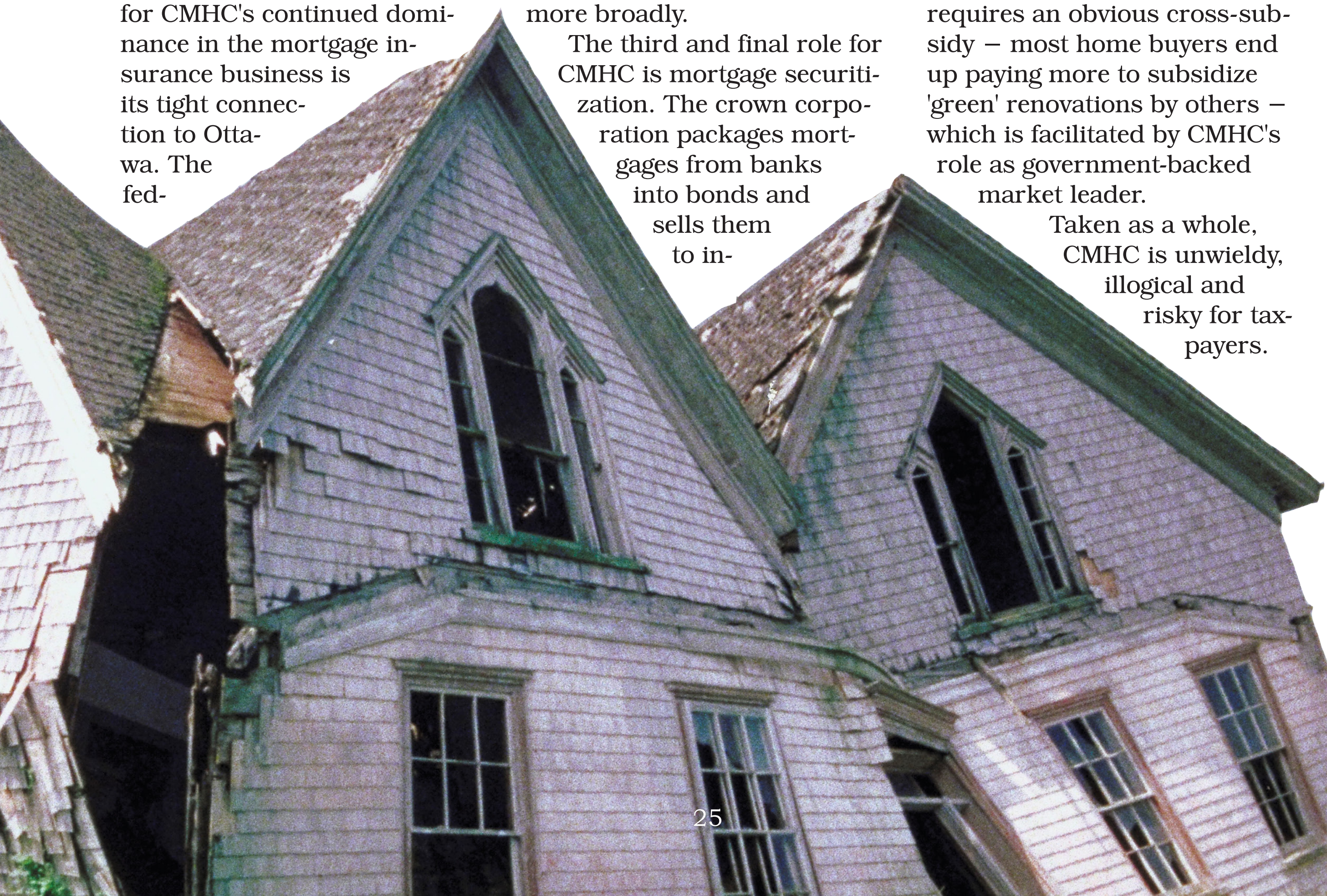
According to University of Guelph professor of real estate Jane Londerville, a big reason for CMHC's continued dominance in the mortgage insurance business is its tight connection to Ottawa. The federal government provides a 100 percent backstop to CMHC's mortgage insurance – giving lenders full confidence they'll get repaid in the event of a default. The two private sector insurers have a smaller guarantee. "This makes CMHC insurance more attractive," says Londerville. In essence, its position as a crown corporation allows it to dominate the competition.

Further, in a recent research report, C.D. Howe Institute vice-president Finn Poschmann points out that the fact CMHC owns over two-thirds of the mortgage insurance business in the country means taxpayers are on the hook for a disproportionate share of housing market risk. Greater private sector competition would spread this risk more broadly.

The third and final role for CMHC is mortgage securitization. The crown corporation packages mortgages from banks into bonds and sells them to investors. This allows mortgage lenders to keep borrowing costs low, since the bonds are ultimately guaranteed by the federal government. During the 2008 financial crisis, CMHC also purchased mortgages directly to improve the liquidity and stability of Canadian banks.

To recap, CMHC delivers social housing programs, it sells mortgage insurance in competition with the private sector and it buys and turns private sector mortgages into bonds which are backed by the federal government. This wide diversity of roles seems to confuse even CMHC. With regards to mortgage insurance, for instance, CMHC offers prospective home owners a discount if they engage in various eco-friendly efforts. But to do so requires an obvious cross-subsidy – most home buyers end up paying more to subsidize 'green' renovations by others – which is facilitated by CMHC's role as government-backed market leader.

Taken as a whole, CMHC is unwieldy, illogical and risky for taxpayers.



Can we do without it? Certainly.

For starters, it's hard to see why the federal government needs a housing policy arm at all. Grandiose schemes that push homes on people unprepared for the responsibility inevitably end in disaster and ought to be avoided at all costs. And given that almost half of CMHC's appropriations go straight to the provinces already, it seems entirely reasonable to leave social housing to lower levels of government. If Ottawa has a special obligation to Native housing, this could easily be transferred to Aboriginal Affairs. And while housing market data collection is useful, isn't that what Statistics Canada is for?

The solution to CMHC's mortgage insurance business seems even simpler. The federal backstop is a barrier to greater private sector competition, keeping rates high and loading up risk onto taxpayers. Other countries, such as Australia, have fully privatized their mortgage insurance industry without problem. "Mortgage insurance does not need to be government run," says real estate expert Londerville in an interview.

Getting CMHC out of the mortgage insurance business could be handled two ways. Putting the entire business up for sale at once would attract bids from around the world and deliver a huge payday for Ottawa. On the other hand, CMHC could simply slow its growth (it will soon bump up against a $600 billion ceiling set by Ottawa) and let the private sector grow organically around it.

Finally there's the securitization end of CMHC. Banks view this program with great favour, mostly because it allows them to borrow against an indirect taxpayer guarantee.

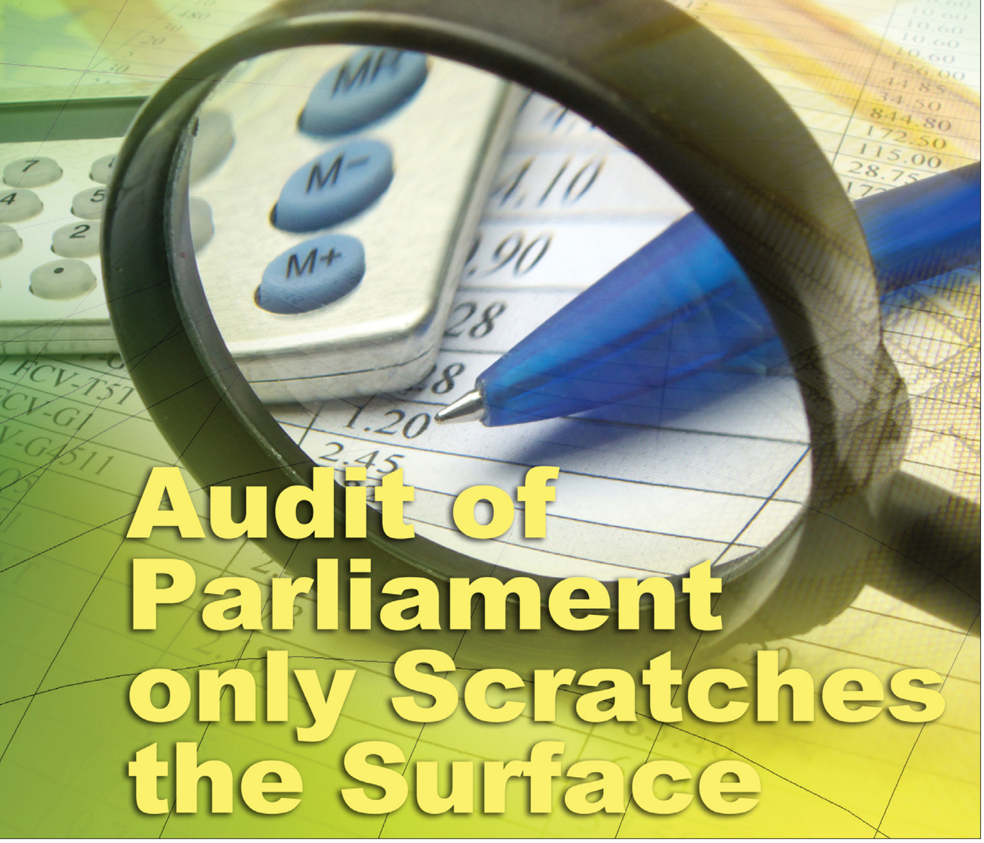
If securitization is truly a necessity for the smooth operation of the housing market, the Department of Finance and Bank of Canada have all the required expertise in-house when it comes to marketing government-backed bonds. By the same token, CMHC isn't the only arm of government with the ability to buy mortgages to prop up the financial sector, as occurred in 2008.

Then again, maybe the private sector can handle it all without putting taxpayers at risk. Following Flaherty's recent restrictions on banks using CMHC backing to sweeten their bond issues, Poschmann points out that the Royal Bank of Canada announced plans to sell US$12 billion of bonds backed by mortgages without any sort of government guarantee. He sees this as evidence a federal infrastructure is no longer necessary to market mortgage-backed securities. "We're seeing a housing finance framework develop outside the umbrella of [taxpayer-backed] mortgage insurance," he notes. "This is a good thing." So even securitization can now be handled without government involvement.

Everything CMHC does right now could be safely and efficiently handled by someone else, either in the private sector or elsewhere in government. All of which makes the institution entirely redundant. If the Harper government is serious about downsizing the public sector, there's no better place to start than by getting rid of Canada Mortgage and Housing Corp.❖

Peter Shawn Taylor is editor-at-large of *Maclean's* magazine. He writes frequently on issues of economic policy, politics and Canadian history.

> "Other countries, such as Australia, have fully privatized their mortgage insurance industry without problem."



Audit of Parliament only Scratches the Surface

By Gregory Thomas and Jordan Bateman

Like tugging on a loose thread in an old sweater, taxpayers are beginning to unravel the mysteries of how tax dollars are spent running Parliament. But there's still a lot of yarn to pull.

As the spring legislative session wrapped, Canada's Auditor General Michael Ferguson released the results of his investigation into the administration of Parliament. Despite MPs' best efforts to handcuff the A-G and keep the review at a superficial level, Ferguson found enough bad news to make taxpayers cringe.

> "Unfortunately .... the Ferguson review leaves more questions than answers"

The House of Commons spent $60 million on purchases in the 2010-11 fiscal year examined by the A-G, who noted errors "ranging from missing documents to more serious issues, such as awarding a contract to a bidder that clearly did not meet one of the mandatory requirements."

Ferguson also discovered "a widespread lack of compliance with the set of procedures that are designed to support fairness and transparency, achieve best value, and manage risks" after 41 of 59 big-ticket purchases by the House of Commons failed to meet the administration's own policy and procedures.

This bad news — the tip of the proverbial iceberg — came from the A-G spot-checking 264 of the 85,000 transactions involving MPs' offices last year. That's less than one transaction per MP.

The examination by the Auditor General, the office's first look at MP spending in 20 years, was demanded two years ago by CTF supporters.

The CTF fought back in 2010 after MPs blocked a request from then Auditor General Sheila Fraser to open Parliament's books. The CTF launched a petition, e-mail and Facebook campaign and thousands of Canadians signed on, finally forcing politicians to allow Fraser to investigate. The A–G's office even thanked the CTF for our organization's support, noting they had received so many e-mails from our supporters they couldn't respond to all of them individually.

Unfortunately for those thousands of Canadians, the Ferguson review leaves more questions than answers: Why did the secretive Board of Internal Economy MP committee forbid the A-G from looking at individual MP spending? Why wasn't the A-G allowed to name MPs who violated expense rules? Why can taxpayers obtain a lunch receipt through an *Access to Information* request for a bureaucrat, but not a politician? And why wasn't the A-G given permission to perform a full audit, especially given the concerns he found in the spot check?

MPs tried to do just enough to satisfy Canadians — without opening their spending to full scrutiny. Your CTF will continue to demand lawmakers post their receipts online. Disclosure should not be optional, nor should it be shielded by anonymity.❖

A Pain-in-the-Tax

14th Annual Gas Tax Honesty Day renews call to stop taxing taxes!

You may have seen the H&R Block commercial on TV.

Doctor: *"So you're suffering from back pain?"*

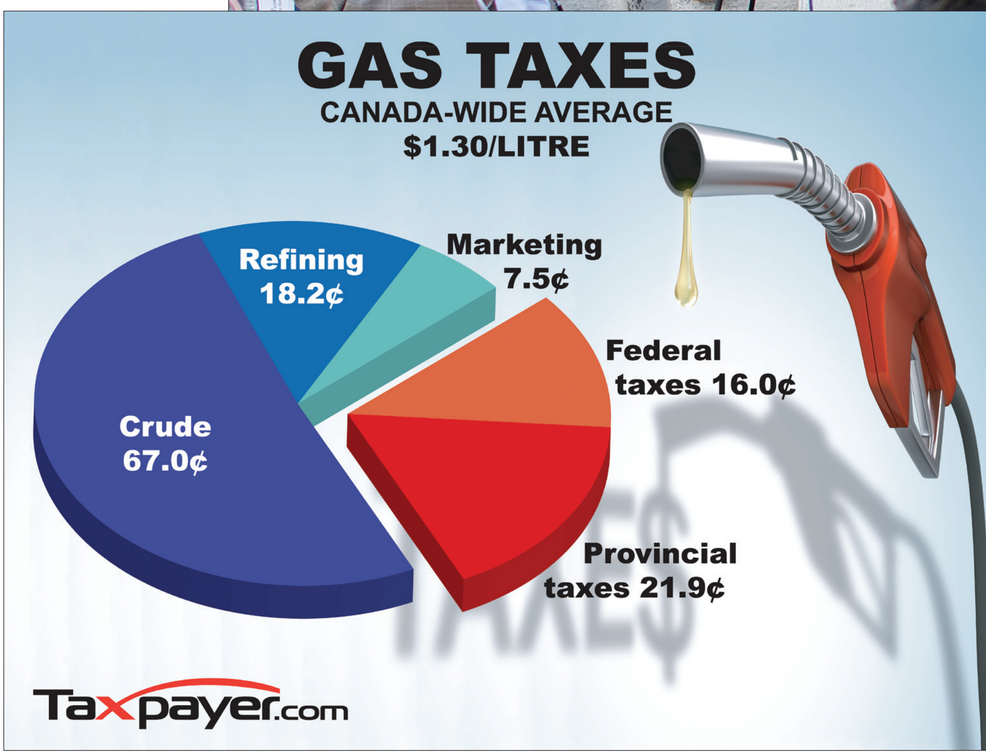
Patient: *"Um, sort of, but, lower…It's a pain in my, ah…"*

Doctor: *"Oh…That's tax pain. Nothing I can do about that."*

Filling up at the pump in Canada can be a lot like this commercial, except that when you – supporters of the CTF – tell us that you have tax pain, we make it our business to be a pain-in-the-tax for government.

That's why for 14 years, the CTF has held Gas Tax Honesty Day before the May long-weekend to blow the whistle on high and, at times, unethical gas taxes. Fourteen years is a long time to bang the drum on an issue, but it's not without good reason or progress.

When the CTF held its first Gas Tax Honesty Day in May of 2000, taxes on gasoline made up about 50% of the pump price. This year, the national average is just under 30%. This is due primarily to the cost of gasoline increasing while per-litre gas taxes in most provinces (with a few notable exceptions) remained relatively stable. So while the overall tax bill on gasoline has gone up with the GST/HST, the proportion of tax as a share of the pump price has



In Ottawa, federal director Gregory Thomas conducts one of five press conferences across Canada on May 17th to mark Gas Tax Honesty Day.

> "Canadians are not only paying high gas taxes. They are also paying unfair 'tax-on-tax.' That is, the federal and several provincial governments add the GST/HST not just to the actual cost of gasoline, but to their own per-litre taxes."

gone down nearly 20%.

This is not necessarily a victory for inflation, but for the ability of taxpayers (in most provinces at least) to organize against tax hikes to accompany an increase in the world price of oil.

Since 2000, the CTF has fought for — and won — the dedication of gasoline and diesel taxes to the building and maintaining of roads. At the height of the so-called "stimulus" funding in 2010, nearly every dollar collected in gasoline taxes was reinvested into roads. While the federal Gas Tax Fund has been made permanent since then, it remains to be seen if gas taxes will still be used mostly as a user-fee for roads, or as a cash cow for government.

With this in mind, the reader should be warned that the Advil that we gave you for that tax-pain is about to wear off.

Tax-on-Tax

Canadians are not only paying high gas taxes. They are also paying unfair 'tax-on-tax.' That is, the federal and several provincial governments add the GST/HST not just to the actual cost of gasoline, but to their own per-litre taxes. In Quebec, the provincial government even taxes the GST. That is — wait for it — a 'tax-on-tax-on-tax.' Luckily for the battered taxpayers of Quebec, the federal government has required the province to cease this practice as part of the recently signed tax harmo-

B.C. director Jordan Bateman uses a giant cheque to illustrate that 2012 marks the first time ever, Lower Mainland drivers will shell out over $1 billion in assorted gas taxes.

nization deal.

Tax-on-tax cost Canadians on average 2.5 cents/litre, or $82 a year for a two-car family. Between the federal and provincial governments, this pockets $1.7 billion from Canadians annually. This is tax pain requiring full intrusive surgery.

Ranking the provinces

On average, a two-car family in Canada will pay $1,225 in gas taxes in 2012. How much one pays at the pump depends largely on how high the gas taxes are in a given province. With the highest gas taxes, it's no wonder that Quebec and British Columbia have the highest pump prices. The 'second tier' of high gas tax provinces includes Nova Scotia, Newfoundland, Ontario and New Brunswick, all with correspondingly high pump prices. Not surprisingly, Alberta — with the lowest gas taxes — has the cheapest gas in Canada.

It is simply not true when politicians claim, as they often do, that lower gas tax savings are not passed along to consumers.

Big hikes in B.C. and Manitoba

If the rest of Canada is suffering from gas-tax-pain, drivers in B.C. and Manitoba are getting a colonoscopy.

Manitobans saw their gasoline and diesel taxes increase on May 1st from 11.5 cents/litre to 14 cents/litre. This will hit the average

two-car family with an extra $84 a year for a total tax bill of $962.

British Columbians meanwhile saw an excruciating double-tax increase on July 1st, costing a two-car family an additional $101 a year. This will come in the form of yet another Carbon Tax increase from 5.56 cents/litre to 6.67 cents/litre, bringing that bill to $216 a year. Drivers in the Lower Mainland meanwhile will receive an additional TransLink tax hike from 15 cents/litre to 17 cents/litre, for a total bill of $561 a year. When all is said and done, drivers on the West Coast will pay the highest gas taxes in the country, averaging $1,589 a year for a two-car family.

H&R Block's fictitious doctor is wrong; there is something that you can do about tax-pain, and we've made progress. Well organized taxpayers have shown that with the facts on their side, they can ease the pain. The cure for what hurts most right now is to axe the GST/HST tax-on-tax.

Readers can view the CTF's complete Gas Tax data at taxpayer.com.❖

***Below:** Prairie director Colin Craig holds a press conference on the steps of the Manitoba Legislature asking why Premier Greg Selinger upped gas taxes after promising no tax increases in the last election. **Right:** as part of its campaign to expose hidden gas taxes, Catherine Briere pays a few lucky motorists the tax portion of their fill.*

CTF B.C. Director Jordan Bateman introduces Agassiz, B.C., farmer Bill Klopp at a protest rally in downtown Vancouver April 17. (Photo by Andrew Holliday/CTF)

Till the cows come home:
Fraser Valley farmers fight DFO bureaucrats

by Jordan Bateman

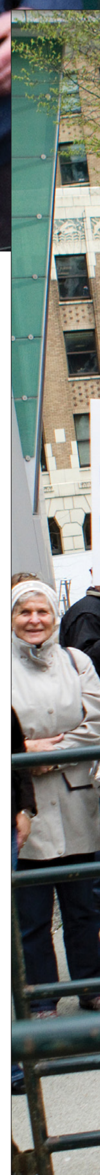
With the federal government and big environmental groups locked in a pitched battle over the future of the *Fisheries Act*, a group of B.C. farmers — caught in the middle between these two behemoths — looked for help from the Canadian Taxpayers Federation to tell their story.

On April 17, the CTF and 50 Fraser Valley farmers protested unfair Department of Fisheries and Oceans (DFO) rules outside DFO's offices in a downtown Vancouver skyscraper. The farmers brought in the big guns to get their message out — two young calves that drew the attention of both media and passersby.

As Vancouver children crowded around the cow pen, straining to pet the calves, TV, radio and newspaper reporters interviewed individual protesters to discover why they were there. For about half an hour, the scrappy farmers were media stars.

Protesters told stories of digging ditches to drain their land, only to be told by the DFO that they had to plant trees along the banks to improve the ditches' potential to support fish.

Once those trees were planted, the farm-



ers were then forbidden by the DFO to farm within 30 metres because they were now "fish habitat." They aren't allowed to clean out their own ditches, leading to floods on their property, a rising water table and hurting their ability to graze cattle and grow crops.

"These farmers can't even build a bridge across a ditch on their own property without DFO approval!"

These farmers can't even build a bridge across a ditch on their own property without DFO approval!

The DFO, spending millions of tax dollars in the process, takes this land from these farmers — and thousands of others across Canada — without compensation or concern. "This shouldn't happen in a democratic country," said one protester. "It's just not fair."

Federal Fisheries Minister Keith Ashfield is taking heat from environmental groups for wanting to change the *Fisheries Act*, with the so-called green groups claiming the changes are only about megaprojects like oil pipelines. But they forget who these onerous restrictions hurt most: farmers from places like the Fraser Valley, working their land and feeding their families and communities.

Ashfield's reforms are by no means radical. Currently, the *Fisheries Act* makes it an offence to "harmfully alter, disrupt or destroy fish habitat." The problem lies in how DFO bureaucrats interpret that clause, using it as an excuse to shut down legitimate uses along the banks of any water channel — even man-made ditches.

If Ashfield gets his way, the *Act* will change to prohibit "serious harm to fish [defined as death or permanent destruction of habitat] that are part of a commercial, recreational or aboriginal fishery or fish that support such a fishery." Hardly earth-changing but certainly a message to out-of-control and unaccountable DFO staff.

On May 29th, the CTF followed up in Ottawa when federal director Gregory Thomas presented the farmers' concerns to the House of Commons Fisheries and Oceans Committee which is examining changes to the Act. The CTF is optimistic changes will be made.❖

Speak out

Support Fisheries Minister Keith Ashfield's efforts to modernize the *Fisheries Act* to be fairer, flexible and in tune with the needs of fish and farms.

min@dfo-mpo.gc.ca

613-992-3474

Farmers from the Fraser Valley — and two calves — protest outside the Vancouver office of the Department of Fisheries and Oceans. (Photo by Andrew Holliday/CTF)

FREE THE F

by Colin Craig
Prairie Director

Imagine getting thrown in jail because you didn't want to sell the product you made each day to the government.

Well, that's what could happen. In Canada. In 2012.

No, we're not talking about a vital product like isotopes for treating cancer or a new flu vaccine to treat a flu outbreak, we're talking about fish. Caught by fishermen. On the prairies.

For decades, commercial fishermen in northwestern Ontario, Manitoba, Saskatchewan, Alberta and the Northwest Territories have been forced to sell fish they catch in freshwater lakes to a federal government crown corporation called Freshwater Fish Marketing Corporation (FFMC.)

The federal government lets fishermen on the east and west coasts sell their catch on their own, but it doesn't think fishermen on the prairies are quite capable of doing the same. In many respects, the situation brings to mind the Canadian Wheat Board.

In 2011, the fishermen earned a brief reprieve when they gained an export dealers license to sell their catch on their own. During that period they did phenomenally well; they expected about $200,000 more in collective earnings than under the old system.

That didn't sit well with Soviet-inspired FFMC which swiftly stepped in to revoke their license … the same one it had earlier approved!

Not surprisingly, a large group of fishermen then staged an "illegal" sale of fish to a U.S. buyer. They did so in a peaceful manner in order to draw attention to their plight. That's why some are now facing jail time or large fines.

But who can blame the fishermen? Desperate times call for desperate measures.

You see, many fishermen are at or below the poverty line. They don't receive much money for their catch from FFMC and if they don't show up for work, there are no "sick day" benefits to draw on. Further, like most Canadians, they have no workplace pension plan when they retire.

Conversely, the government body to which the fishermen, by law, have to sell their catch offers its employees sick days and a pension plan. In fact, FFMC's former CEO was even paid out thousands for his unused sick time. As you can imagine, every ex-

Prairie Director Colin Craig handles media questions at a Free the Fishermen news conference March 26.

On a mild -30°c day in February, the CTF headed out to Lunder, Man., on Lake Winnipeg to film a YouTube video detailing the plight of Prairie fishermen. Search "taxpayerdotcom fish" on YouTube. Post it on Facebook and forward it to your contacts!

pense at the government crown corporation reduces the amount fishermen receive for their catch.

But the questionable management practices don't end there.

A couple years ago, the CTF obtained information from Freshwater that showed it left plenty of room for improvement. Spoiled fish counts at the federal fish body had risen from 27,279 kgs in 2006-07 to 133,796 in 2008-09. In other words, more than 100,000 kgs of fish were completely wasted and Freshwater had to take the loss, thereby reducing the amount they could pay fishermen.

A scathing report from the federal auditor in 2010 found many other serious management problems.

In March 2012, the CTF obtained and released details on the expense accounts enjoyed by executives at the government marketing body. Some of the highlights included Freshwater purchasing for its CEO a golf membership, a pack of cigarettes in Finland and NHL tickets in Minnesota. Those expenses didn't sit well with fishermen; neither did the five-night $2,435 hotel bill from Paris or the $1,684 dinner for eight in Belgium.

The CEO of Freshwater claims the extravagant expenses are just part of the cost of wining and dining potential customers. But what about $594 that two employees racked up in New York for just three meals with each other?

A fishermen's co-op has calculated that they could double their income if they were allowed to sell directly to private buyers. The fishermen are seeking no more than changes recently given prairie farmers who can now sell grains to the government's Canadian Wheat Board or a buyer of their choosing.

The Saskatchewan government recently pulled out of the federal government fish marketing board's reach. As of April 1, commercial fishermen in that province can now choose to sell their catch to whom they choose.

The CTF is continuing to help fishermen outside Saskatchewan achieve that same right.❖

Speak Out!

Tell the Minister of Fisheries to let fishermen decide – sell to FFMC or on their own!

Minister Keith Ashfield

min@dfo-mpo.gc.ca
613-992-3474

ISHERMEN

STOMPING
The TransLink Waste Machine

Jordan Bateman
B.C. Director

When it comes to waste, few government agencies can compare to the woeful record of TransLink, the Lower Mainland's transit authority.

TransLink spends $1.2 billion every year, but only one-third of that is paid by riders. Everyone else pays 17 cents per litre in gas tax, plus property tax, parking tax, bridge tolls, AirCare tax and B.C. Hydro tax.

As if that's not enough, TransLink tried earlier this year to use a $30 million shortfall to get another billion dollars in taxes!

Over the past year, the CTF and media, with the help of whistleblowers and good, old-fashioned research, have uncovered many egregious examples of TransLink waste. These include losing hundreds of millions of dollars to fare evaders and theft, paying employees a 25% bonus for working Sundays and executives giving themselves performance bonuses the same week they raised gas taxes.

Vancouver is the only city in Canada with its own Transit Police force — a costly, growing and unnecessary bureaucracy. Transit Police officers not only receive the 25% Sunday bonus, they also exploit a collective bargaining quirk that pays them for 11.59 shifts a year they don't work. Further, Transit Police collected more money in overtime than the much larger Vancouver Police Department. A recent audit into the Transit Police showed these extra costs inflated salaries by $1.175 million last year.

No wonder no Transit Police officer made less

than $75,000 last year, and 66 of their 167 officers made more than $100,000. Not bad pay, for a job that is mainly checking fares: Transit Police officers average less than 10 violent or property crime cases a year, including unfounded and unsubstantiated files.

The CTF has been front and centre in the press, releasing original research and commenting on TransLink waste. It's working! The B.C. government has announced it will kill AirCare, the vehicle emission testing program which had become little more than another tax grab on drivers.

The government also announced, introduced and passed legislation this spring which closed major loopholes around punishing fare evaders, meaning those who are caught riding for free will face consequences.

Finally, and most important, Premier Christy Clark has ordered her government's top audit team to go into TransLink this summer. This was a direct result of our work at the CTF and we look forward to seeing that report this fall.❖

Are government workers worth it?

Taxpayers are overpaying for government labour — as much as 30% according to academic and think tank studies. Sometimes, it's even worse than that.

A B.C. government liquor store clerk makes $18.84 to $28.50 an hour in wages and benefits; a private liquor store clerk earns $11. A municipal pool lifeguard makes $22.91 an hour in wages and benefits; a private water park lifeguard earns $12.

A *Compensation Equity Act* could help bridge this gap. The *Act* would use a market-based model to reform pay packages for government workers and move new hires off expensive pension plans. In a recent *Angus Reid* poll released by the CTF, 73% of British Columbians said they would support such an *Act*.

Our work has prompted the governing B.C. Liberals to add a debate on the public-private pay gap to its convention this fall. ❖

CTF B.C. Hosts Two Major Events

Two spring events gave CTF B.C. supporters an opportunity to meet one another and talk taxes.

On May 15, 85 people had dinner at Langley's Redwoods Golf Club to hear about the CTF's work from directors Scott Hennig (Alberta), Gregory Thomas (Federal) and Jordan Bateman (B.C.).

The evening connected longtime CTF supporters with newcomers. "Thank you for the fun evening," wrote one first-timer. "I really like what [you] guys do!"

On May 17, the B.C. office hosted the first-ever CTF Telephone Town Hall to talk gas tax. Listeners asked questions, answered polls and talked with hosts Hennig and Bateman, all over the phone. Hundreds of people took part in the call.

E-mailed one caller: "Congratulations ... the callers represented a growing number of taxpayers who are alarmed at the extent of the waste, featherbedding, goldbricking and general attitude of those we elect to manage the affairs of our nation." ❖

The Return of Gold-Plated MLA Pensions?

by Scott Hennig
VP Communications

Long-time supporters of the CTF will recall a now infamous incident our former President, Jason Kenney, had with the then-Premier Ralph Klein over MLA pensions.

With cameras rolling, Klein's outburst in the face of the calm and polite Kenney, resulted in Klein having to walk into his caucus to inform them that he was cancelling the MLA pension plan, retroactive to 1989.

In the two decades since, three major changes have occurred resulting in MLAs once again being well compensated in their retirement. The first was in 1998, where the modest "resettlement allowance" for defeated or retired MLAs was renamed a "transition allowance" and doubled. The second happened in 2001 when the "transition allowance" was tripled and all caps removed. The third, also in 2001, was the creation of an "RRSP contribution" gifting MLAs an annual cash payment of the equivalent of 50% of the maximum RRSP contribution limit (resulting in a cheque for $11,470 to each MLA in 2012).

In its submission to Justice Major's MLA compensation review, the CTF recommended the "transition allowance" be eliminated outright, while the current "RRSP contribution" be formalized into a dollar-for-dollar matching, defined-benefit pension plan (similar to a group RRSP).

Justice Major rejected that suggestion and in-

Justice Major Has His Say on MLA Pay

The CTF has been campaigning hard for reforms to MLA pay and perks. The highest profile of which has likely been the work we did exposing the "no meet" committee and calculating the six and even seven-figure transition allowances.

Despite CTF urging to appoint a citizens' committee to review MLA pay, Premier Redford and former Speaker Ken Kowalski appointed Justice Jack Major to review MLA pay.

Here's a summary of his recommendations released in early May:

CTF recommendation: MLAs should be paid one lump-sum salary with no committee pay.

Major recommendation: MLAs should be paid one lump-sum salary with no committee pay, with the exception of committee chairs who should get $200 per meeting.

Status: Major recommendation accepted

CTF recommendation: MLAs should be paid a fully-taxable salary.

Major recommendation: MLAs should be able to collect one-third of their salary tax-free.

Status: CTF recommendation accepted, Major recommendation rejected.

CTF recommendation: Backbench MLAs should be paid a salary of $134,572 annually.

Major recommendation: Backbench MLAs should be paid a salary of $134,000 annually.

Status: Major recommendation accepted.

stead recommended re-introducing a gold-plated pension plan. The plan Justice Major recommended is slightly less gold-plated than the one Klein killed in 1993, but nonetheless, it would still be illegal if a private company attempted to offer the same.

Under the *Income Tax Act,* defined-benefit pension plans can only accrue service at a maximum of 2% per year of service. Justice Major recommends MLAs amend special legislation so that they can violate this law and accrue service at 2.5% per year.

Justice Major seemed undeterred that the plan cancelled 19 years ago still carries a $42 million liability. Defined-benefit plans of this sort almost always have massive deficits that are guaranteed by the employer, in this case the taxpayers.

In fact, according to a 2010 report done by *Certified General Accountants of Canada*, as of the end of 2007, before the market crash, 71% of all private-sector defined-benefit pension plans were in a "solvency deficit." That number spiked to 92% in 2008.

The decision on the MLA pension has not yet been made. MLAs opted to refer the decision to the powerful, all-party Members' Services Committee. Over the summer, the committee is meeting to look at options and decide which pension plan to choose.

The CTF has launched a petition calling for them to reject the gold-plated plan put forward by Justice Major. You can sign it at Taxpayer.com. ❖

Proposed MLA pension scheme

Based on the formula suggested by Justice Major, the CTF has calculated what the average Albertan would need to save to have the same pension as an MLA.

MLA	Annual MLA pension	What you would need in your RRSP
8-year backbench	$31,857	$496,690
12-year backbench	$52,740	$822,205
16-year backbench	$77,632	$1,210,203
20-year backbench	$107,100	$1,669,666
8-year cabinet minister	$47,785	$744,942
12-year cabinet minister	$79,116	$1,233,401
8-year premier	$51,767	$812,477
12-year premier	$85,716	$1,345,273

CTF recommendation: Reverse the 30% pay hike from 2008 and pay cabinet ministers $183,007 and the premier $203,392.

Major recommendation: Increase cabinet ministers pay to $201,000 and the premier's salary to $335,000.

Status: Major recommendation accepted on cabinet minister's pay, but premier's pay set to $217,750.

CTF recommendation: Elimination of gold-plated transition allowances.

Major recommendation: Cap transition allowances at one-year's pay.

Status: CTF recommendation partially accepted – transition allowances are suspended and eliminated for all new MLAs.

CTF recommendation: Create an optional defined-benefit group RRSP or Pooled Registered Pension Plan (PRPP) for MLAs.

Major recommendation: Re-introduce a gold-plated, defined-benefit MLA pension plan.

Status: All options are currently under review by the all-party Members' Services Committee.

CTF recommendation: Eliminate double-expense-dipping by allowing reimbursement of all fuel, oil changes, car washes, etc., as well as $0.37 per kilometre reimbursement for MLAs using their own vehicles for MLA business.

Major recommendation: None made.

Status: No change.

CTF recommendation: Stop the practice of allowing former MLAs stay on the MLA group health benefits plan with taxpayers still covering a portion of the premiums.

Major recommendation: None made.

Status: No change.❖

Nice Work if You Can Get It

by Colin Craig
Prairie Director

The CTF has been on a major push to improve transparency on aboriginal reserves. After releasing several cases of chiefs and councillors from tiny reserves making more than the prime minister, the feds listened to our call by tabling C-27, a bill that would put chiefs and councillors' pay online for every reserve across the country.

As we wait for the bill in Ottawa to be passed and brought into force, we exposed a couple more questionable reserve pay stories from Saskatchewan.

Consider that a lady from the Makwa Sahgaiehcan reserve told us her reserve's annual audit report was mysteriously missing the pages with chief and council pay information when she received it. Thankfully, the feds provided her with a copy of the full audit within a week of her request.

As you can see in the table below, the pay figures are quite generous. The pay amounts are income tax free, so we calculated a rough estimate for what they worked out to for someone living off reserve and paying taxes (see "Off Reserve Pay Equivalent" column.)

Councillors from the community of 942 people made the off reserve equivalent of over $100,000; one as high as $172,552! Meanwhile, councillors in Regina made around $32,000 that same year.

While the Chief's pay looks modest compared with fellow council members, media reports have noted he received an additional $68,794 for serving on the Saskatchewan Indian and Gaming Authority (SIGA). It's not clear how much of the SIGA pay may have covered travel expenses, but if you add it to the chief's pay from the reserve, it works out to approximately $235,000 for someone off reserve. Nice work if you can get it.❖

Photo of home on Makwa Sahgaiehcan reserve provided to the CTF by a band member.

Makwa Sahgaiehcan First Nation Salary Information (Population: 942 People)

Name	Position	Salary	Honoraria	Travel	Other	Bonus	Pay Total	Off Reserve Pay Equivalent
Richard Ben	Chief	$80,000	-	$30,805	-	-	$80,000	$114,818
Walter Mitsuing	Councillor	$40,500	$24,000	$21,768	$13,070	-	$77,570	$110,805
Ronald Mitsuing	Councillor	$39,000	$22,000	$24,211	$16,278	-	$77,278	$110,327
Robert Mitsuing	Councillor	$40,652	$24,000	$15,272	$15,249	-	$79,901	$114,627
Glen Cantre	Councillor	$39,000	$22,000	$28,054	$14,214	$2,500	$75,214	$106,943
Joyce Cantre	Councillor	$40,500	$24,000	$23,698	$48,223	-	$112,723	$172,552
Derrick Cantre	Councillor	$37,500	$26,000	$15,630	$8,876	$2,500	$74,876	$106,390

Note: The "Pay Total" column includes salary, honoraria, other and bonus. As these amounts are not subject to income tax, the off reserve pay equivalent represents an estimate of the equivalent pay for someone off reserve. Travel expenses sometimes represent reimbursements for expenses while other times it includes pay. We have not included "travel" as part of the "pay total" in this chart. Source: Makwa Sahgaiehcan 2011 Audit

Stadium Saga Continues...

One thing we've heard from die-hard Rider fans who want tax dollars spent on a new stadium and those that are adamantly opposed to public funding is that both sides expect government to be accountable.

After all, no one wants to hear a new stadium is way over budget or that a bunch of politicians sat around and decided all the details for a new facility without any taxpayer input.

It's clear that politicians are intent on spending your tax dollars on the initiative one way or another, so we have taken the position (after reviewing input from surveys of CTF supporters) that a referendum needs to take place before any public funds are used. That way all taxpayers can decide if they feel the price tag is too high or if the funds should be put towards other purposes.

As there are municipal elections coming up across Saskatchewan this October, giving people an extra ballot to vote on the stadium deal would be a cost-effective and convenient way of truly establishing what taxpayers think about the proposal.

Below are four questions we've posed to the premier. We hope you'll echo our call by asking him, your MLA and the Mayor of Regina the same:

1. The stadium has been reported in the media as costing $278 million. What is the real cost – including interest costs?
2. The $278 million figure is an "estimate." The initial "estimate" for Winnipeg's new stadium was $115 million yet when they actually tendered it, it went up to $190 million. What guarantee do you have your "estimate" is accurate? Who will be accountable for cost overruns?
3. Will you release a detailed plan and let taxpayers vote on it in a referendum at the same time people vote in province-wide municipal elections this October?
4. Where is the private sector? Why aren't they part of the project?❖

Fun with numbers

As politicians muse publicly about using your tax dollars for a new stadium, here a few numbers to help you figure out your share and the cost per game.

New Regina stadium cost estimate	$278,000,000
Number of households in Saskatchewan	400,000
Number of households in Regina	90,000
Number of seats in proposed stadium	33,000
Number of Rider home games each year	10
Number of referendums needed for taxpayers to have a say	1

** City/prov/fed funding portions are based on City of Regina's funding proposal, cost estimates do not include interest charges. Household populations are rough estimates based on 2006 census.*

MANITOBA

“Ticketgate” – Partial Victory

by Colin Craig
Prairie Director

Some people think the Winnipeg Jets ticket fiasco, known as “ticketgate,” isn’t a big deal, but here is why you should care about it.

For those who aren’t familiar with the story, the CTF helped expose how the government’s four main crown corporations spent over $600,000 on advertising and Jets tickets at the MTS Centre. Not surprisingly, many of those tickets wound up in the hands of NDP cabinet ministers, NDP-appointed board representatives and senior management.

It was also revealed that politicians had received free ticket gifts from several businesses and even Red River College.

Politicians receiving gifts is nothing new, but as we said from the beginning, it was a practice that should change. After all, politicians are receiving those gifts for a reason — influence. Further, as the crowns have monopolies they really don’t need to advertise so much and especially don’t need to negotiate tickets as part of ads they do run.

However, beyond the unnecessary expenditures, even more troubling was all the ‘half truths’ and lies that taxpayers were told throughout the fiasco. (See chart below.)

Sadly, the province is about to waste $1 billion by building a much longer than necessary hydro line (Bipole III), but what forces the government to call an emergency press conference and sweat bullets in the media? Jets tickets. Sheesh.

Thankfully, the NDP listened to part of one of our recommendations. You see, politicians will still be allowed to accept expensive arts and music ticket freebies, but pro sports tickets are now out of bounds.❖

Photo:QMI Agency

The CTF exposed how the government’s four main crown corporations spent over $600,000 on advertising and Jets tickets at the MTS Centre. Not surprisingly, many of those tickets wound up in the hands of NDP cabinet ministers

Claim	Reality
Minister Jim Rondeau claimed he couldn’t give the opposition details on who received the MLCC’s Jets tickets as the info was still being pulled together.	The CTF had received the information five weeks earlier. After seeing Rondeau’s comments, we then released it to the media, kicking off a firestorm.
Acting MLCC President told the legislature the crown corporation’s tickets were used for promotional purposes, “in other words, for our customers.”	Only 30 of the MLCC’s 440 tickets were given to customers, most went to NDP board members (66), executives (52) staff (284) and the minister’s office (4.)
Manitoba Hydro told the CTF it couldn’t provide a “definitive list” of who received its tickets.	Hydro miraculously later compiled a list and provided it to the government.
NDP Cabinet Minister Stan Struthers told media he only received tickets from a ticket pool with friends.	He latter told the media he received tickets from Red River College and a business association.

MANITOBA

Budget Beating

Budget 2012 brought in the largest tax increase in 25 years. If that wasn't bad enough, our deficit is larger than expected and spending continues to increase. Needless to say it wasn't a taxpayer-friendly budget.

The province has announced some good austerity measures, such as amalgamating regional health authorities and combining the Manitoba Liquor Control Commission and Manitoba Lotteries, but overall it didn't go nearly far enough.

After a decade of increasing spending at more than double the rate of inflation, we were pushing for real cuts or at least a freeze. Yet, when the dust settled, spending increased by 2.8%.

The province claims it is cutting spending, but when you compare budget-to-budget numbers, the total is clearly headed north. However, if history has taught us anything, it's that spending almost always comes in higher than expected. Over the last twelve years, the NDP have spent more than projected eleven times.

That inability to meet spending targets is why they're raising taxes by $184 million. As of July 1st, taxpayers are paying the PST on home insurance, hair cuts over $50 (here's looking at you ladies), manicures, pedicures, and tattoos. Gas taxes and tobacco taxes are also going up and so are birth, marriage and death certificates. In other words, the government is sending a strong signal to people not to die, get married or have children.

Obviously all these tax hikes contradict the premier's promise not to raise taxes during the fall 2011 election. Because he broke his promise, the CTF launched www.GregLied.ca — a web site with information on the broken promise and details on government fat to cut.

We also brought our "Fibber" friend to town; a mascot with a rather long nose. At a press conference in Winnipeg, the CTF, Fibber and a couple small business owners reminded people about the premier's broken promise.❖

The man who wants to be premier

As noted in a previous issue, the CTF planned to meet with those seeking leadership of the Liberal and Progressive Conservative Parties of Manitoba respectively.

In June we sat down with PC leadership hopeful Brian Pallister to press our top recommendations for what needs to happen on Broadway.

For those with a really good memory, the CTF was central in drafting the province's first Taxpayer Protection Act back in 1995. Brian was a champion of that legislation in caucus at the time. Here's hoping that kind of fiscal discipline is championed once again.

Just prior to press time, Robert Young became the first candidate in the Liberal Party's leadership race. The CTF hopes to meet with him soon.❖

Toronto residents face bag ban

Gregory Thomas
Ontario Director

Toronto residents are unhappy with their city council after local politicians voted to ban grocery stores from providing plastic bags to shoppers. The Toronto decision takes effect on January 1, and followed a campaign by Toronto mayor Rob Ford to eliminate a mandatory five cent per bag charge that is currently in effect.

Council voted with the mayor to scrap the nickel a bag fee, beginning July 1, then backed a surprise motion to ban the bags altogether.

A Forum Research poll for the *Toronto Sun* showed that 60% of Toronto residents were happy to see the bag fee eliminated, and 53% disapprove of the decision to ban the bags.

Mayor Ford called the bag ban "outright stupid." He predicted court challenges if the decision goes ahead. The city has yet to introduce a bylaw that would give effect to the council motion.

The trouble began when one Toronto city councillor proposed changes to the five-cent fee that would direct the money into city coffers: The funds would be earmarked for tree-planting in the city, after an environmental report claimed Toronto's tree canopy was inadequate.

The city lacks the power to levy a direct tax, so retailers were free to keep the bag money themselves, or direct it to any charity. One major Ontario grocery chain, Loblaws, had been donating the money to the World Wildlife Fund.

The Canadian Taxpayers Federation submitted a brief

Ontario expected to lose big on 'tax the rich' scheme

As part of the deal to wrangle support from the Ontario NDP for its 2012 budget, the minority McGuinty Liberals agreed to create a new tax bracket for taxpayers with income over $500,000, boosting the province's top marginal tax rate to 49.5 per cent.

NDP leader Andrea Horwath touted the tax grab, aimed at just 25,000 Ontario tax filers, as an easy way to pull in $470 million in additional revenue. Embattled Ontario Premier Dalton McGuinty vowed to scrap the new tax in 2017, five years from now, when he says the province's budget will be balanced.

The CD Howe Institute questions the NDP's math and the prediction of $470 million in fresh new revenue. After all, those high-income earning Ontarians don't live in Cuba: they can move assets out of the province, they can move business out of the province, they can even leave the province themselves, and head for friendlier places, such as Alberta, where the 10% single rate tax has to look very inviting. CD Howe analysts expect the tax grab to bring in $450 million in the first year, dropping to $200 million by year four, eventually dropping to zero before the sky-high rates actually deliver negative revenue, as Ontario's wealthiest find new places to live.❖

> "They can even leave the province themselves, and head for friendlier places, such as Alberta."

to the executive committee of city council, opposing any move to make the bag fee mandatory, pointing out that city taxpayers already pay city garbage collection taxes, as well as HST on the bags, while grocery retailers pay a "stewardship" tax of $28.16 per kilogram on the plastic bags they buy for resale.❖

McGuinty takes a tough line on doctor's fees

Some Ontario doctors are talking about leaving the province while others have sent letters to patients warning that medical procedures may need to be postponed. After contract talks broke down in March, the McGuinty government slashed fees to three groups of specialists: ophthalmologists, cardiologists, and radiologists, saying that new technology makes some medical procedures (such as cataract removal) vastly quicker to perform. The government expects to save $338 million this year and $440 million next year with the new, lower fee schedule for 37 different procedures.

The government wants a two-year wage freeze from Ontario doctors, over and above the cuts it imposed unilaterally, and it's counting on public support for the hard line. Doctor pay has soared 35% since 2006 under McGuinty, with some ophthalmologists billing over $1 million annually. Radiologists average $650,000 in annual billings while cardiologists earn almost $600,000.

The Ontario government is under fire for so-called alternative funding arrangements known as Family Health Groups or Family Health Networks, where doctors are paid a fixed fee per patient each year, rather than billing for actual services rendered. The Ontario auditor general reported that in 2009, 1.9 million of the 8.6 million patients enrolled in these schemes never went to the clinics once, even though the Ontario Ministry of Health shelled out $123 million in fees for their care. To make matters worse, many of the 1.9 million patients went to see other doctors, who bill the government on the traditional fee-for-service basis.

> "taxpayers ended up paying twice for these procedures, once to the clinic where the patient never went, and a second time to the fee-for-service doctor who actually treated the patient."

As a result, taxpayers ended up paying twice for these procedures, once to the clinic where the patient never went, and a second time to the fee-for-service doctor who actually treated the patient.

The auditor general reported that doctors in Family Health Groups and Family Health Organizations earned 25 per cent more on average than family doctors being paid under the traditional fee-for-service arrangement.❖

ATLANTIC CANADA

Maritimes Not Defined by ACOA & Employment Insurance

by Kevin Lacey
Atlantic Dirctor

During the House of Commons spring break, MPs returned to Atlantic Canada to announce two common sense reforms: a funding reduction to the Atlantic Canada Opportunities Agency (ACOA) and changes to the Employment Insurance program.

But any change it seems on these issues, no matter how big or small, is generally met with resistance fit for an invading army.

In responding to the federal government's changes, our regional politicians achieved nothing except fuelling the stereotype of the Maritimes as a region addicted to largesse.

Look at some of the things our premiers have said:

Nova Scotia NDP Premier Darrell Dexter argued in the *Chronicle-Herald* that new EI changes could force workers to take "other" jobs that pay a full year's labour.

Is someone getting a full-time, full year job a bad thing? Really?

One of the sillier comments came from New Brunswick Premier David Alward who told the CBC: "The last time I checked people in Ottawa liked to eat lobster and they like their McCain french fries as well."

Do we really need EI to make french fries?

Then there was the response to the federal government cutting regional development spending as an "attack" on the region.

After 40 years of experience with these programs, and despite billions being dumped into the region, we have little or nothing to show for it, except crippling high taxes, huge public debt and an economy that lags behind the rest of the country.

If you need evidence of what is broken with our region, look no further than Port Hawkesbury. The town just on the other side of the Canso causeway in Cape Breton, has recently seen its main employer (a paper mill) lay off 320 of its 550 employees.

The provincial government has already dumped $30 million into the region to try and attract a buyer.

Yet at the same time, a call centre in the town had to close because it could not find enough workers. The call centre employed 123 people when it closed but wanted to hire 200.

At the plant's closing, town mayor, Billy Joe MacLean said: "When you want to hire 200

people and you can't find them and you've got 30 people out on stress leave, you know you've got a problem". He went on to say, "We have a history in this province of unemployment, social assistance, blaming government, and there are people in other countries who are competing for these jobs and would be grateful for them,"

> Nova Scotia NDP Premier Darrell Dexter argued in the *Chronicle-Herald* that new EI changes could force workers to take 'other' jobs that pay a full year's labour. Is someone getting a full-time, full year job a bad thing? Really?

But our region is so much more than this, and it's time our politicians began to recognize it.

After all, when the Maritimes joined the federation, it was the economic engine of the country. Nation building projects like the railway were built in large part on tax revenues from the east. It was a place where hard work, less government and lower taxes reigned supreme.

And if we make the right choices a bright future is ahead of us.

Right now there is discussion about a new west to east pipeline that would bring Alberta oil to be processed in Saint John, N.B.; $25 billion worth of new Canadian Navy ships will be built at the Halifax ship yard that will result in 11,500 new jobs; the region is home to some of the most innovative new technology companies; and the region's cities are some of the fastest growing economically in all of Canada.

To take full advantage of these opportunities we need to forget about the past 40 years of failed attempts at using the government to grow our economy. And instead reach back to our history, and define our region again by the same things that made us successful all those years ago when we joined the federation: less government, personal responsibility and low taxes.

There have been many reports and books written about what ails our region and what needs to be done, but perhaps the answers to our problems are not so complicated. Maybe all we need is just a new attitude and to do the things that made us successful in the past. Considering the other path has failed, it's probably worth a try.❖

PEI politician eats out on taxpayers' tab

One Prince Edward Island cabinet minister has proven the phrase "there's no free lunch" wrong, because he's eaten lots of free lunches on the taxpayers' tab.

In 2011 PEI Fisheries Minister Ron MacKinley chowed down on $4,200 worth of meals, billing a meal every second day he worked.

To put this in perspective, the minister responsible for fisheries in neighbouring New Brunswick over the same period charged just $141.40.

What makes this expense so egregious is the province is awash in red ink. PEI is projecting a $78 million deficit that on a per capita basis is one of the largest deficits in Canada. As a result, the government is rightfully cutting back, but it seems this cabinet minister thinks those rules do not apply to his dinner budget.

Responding to criticism of his expenses McKinley said the reason he charges so many breakfast, lunch and dinners was because he works hard and wants to show his guests "respect".

Well Mr. McKinley maybe some of that respect should be afforded to some of those taxpayers who paid for all your free lunches.❖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